SEPTEMBER 2026 EXAMINATIONS

CHIEF EXAMINERS REPORTS

CA ZAMBIA

SUBJECT: CA 1.1: FINANCIAL ACCOUNTING

QUESTION ONE

The general performance on this question was fair. 88 out of the 177 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 49.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

This was a compulsory question with ten (10) parts.

QUESTION TWO

The general performance on this question was excellent. 140 out of the 175 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 80%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This was a compulsory question on partnership with three requirements. Those who failed were just unprepared for the examination.

Part (a) Required candidates to prepare a statement of profit or loss and appropriation account. This part was well answered.

Part (b) Required candidates to prepare the partners' current accounts. Some candidates included capital balances and lost easy marks.

Part (c) Required candidates to prepare partnership statements of financial position. This part was well answered.

QUESTION THREE

The general performance on this question was fair. 85 out of the 152 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 55.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) Required candidates to explain five accounting concepts for one mark each. This part was poorly answered as expected because candidates pay less attention to the theory aspect of the syllabus.

Part (b) Required candidates to briefly explain five terms in relation to Limited Company. Prepared candidates were able to explain the terms Dividend, issued share capital and paid-up share capital but failed to explain the authorized share capital and called up share capital.
Part (c) Required candidates to prepare receivables ledger control account and payables ledger control account.

QUESTION FOUR

The general performance on this question was very poor. 20 out of the 114 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 17.5%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

Part (a) Required candidates to prepare the statement of cash flows using the indirect method under IAS 7. Candidates failed to draw the format of the statement by failing to give section titles, i.e. cash flow from operating activities, investing activities and financing activities. Candidates failed to establish the amount spent on acquiring PPE and even failed to establish profit before tax. This part of the syllabus must be understood before a candidate can attempt this paper as indicated in the textbook exam alert.
Part (b) Required candidates to briefly explain the features of ordinary shares. This part was not attempted by those who answered the question.

QUESTION FIVE

The general performance on this question was very poor. 15 out of the 78 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 19.2%. The highest mark scored on this question was 13 out of 20 and the lowest was 0 out of 20.

Part (a) Required candidates to prepare a statement of profit or loss for the year ended 31st December 2025. Candidates failed to establish the cost of sales from the given figures and the sales / revenue figure which required the application of mark-up / margin relationship.
Part (b) Required candidates to prepare a statement of financial position. Candidates failed to establish the drawings figure from the given data.

Part (c) Required candidates to discuss four (4) benefits that could be derived from maintaining accurate accounting records. Candidates avoided answering this part.

QUESTION SIX

The general performance on this question was poor. 34 out of the 161 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 21.1%. The highest mark scored on this question was 15 out of 20 and the lowest was 0 out of 20.

Parts (a), (b) and (c) were theory questions requiring candidates to explain some accounting terms. As expected, candidates failed badly. Candidates are encouraged to pay attention to the theory part of the syllabus.

Part (d) (i) Required candidates to prepare a revised cash book. Candidates failed to correct the receipt of K150 shown as a payment i.e. wrong ledger posting with double effect.
Part (d) (ii) Required candidates to prepare a bank reconciliation statement. Though with a wrong revised cash book, candidates applied the principle correctly.

OVERALL PERFORMANCE OF CANDIDATES

Highest mark obtained in this paper **89%**
Lowest mark obtained in this paper **7%**
Overall pass rate in this paper **39.3%**

SUBJECT: CA 1.2 BUSINESS STATISTICS

QUESTION ONE

The general performance on this question was very good. 47 out of the 59 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 79.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 6 out of 20.

This question was multiple choice and compulsory hence attempted by all the candidates.

The multiple choice questions were short answer phrases and calculations on a wide range of topics from the syllabus. The topics covered included numerical data calculation such as the mean, calculation involving concept of regression, random values and probability distribution. The performance was good as most candidates demonstrated knowledge in solving the various forms of questions asked. It is however suggested that candidates should familiarize themselves with short statistical calculation in order to improve performance in this section of the examination.

QUESTION TWO

The general performance on this question was poor. 18 out of the 58 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 31%. The highest mark scored on this question was 17 out of 20 and the lowest was 0 out of 20.

The question was on ungrouped data and candidates were required to find the three quartiles, the mean and standard deviation. The general performance on this question was not good as most candidates struggled with finding correct quartiles mainly due to use of wrong formula applied to odd number data rather than the even number of data.

Candidates were able to find correct values of mean and standard deviation.

QUESTION THREE

The general performance on this question was very poor. 3 out of the 25 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 12%. The highest mark scored on this question was 13 out of 20 and the lowest was 0 out of 20.

The question required candidates to use the given table of grouped data to draw a histogram, probability distribution and then find the mean and standard deviation. It was noted that only few candidates managed to draw the histogram, with majority attempting to draw a line graph. The mis-understanding could be attributed to candidates not being able to take the given values of cheques with errors similar to mid-value of grouped data.

This also led to inability to formulate the probability distribution as required in part b. Few candidates were able to find the mean and standard deviation but most lost marks due to a wrong probability distribution table in part b.

QUESTION FOUR

The general performance on this question was very good. 42 out of the 52 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 80.8%. The highest mark scored on this question was 20 out of 20 and the lowest was 3 out of 20.

The entire question required candidates to use the given data set to find the regression line and also calculate the coefficient of correlation. Most of the candidates demonstrated good understanding of the topic and scored high marks. few candidates who struggled were observed to have been using wrong total values from the regression summary table, hence getting incorrect final results.

QUESTION FIVE

The general performance on this question was very good. 36 out of the 74 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 76.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 6 out of 20.

The first part of the question required candidates to define data and information and identify qualitative and quantitative variables. The general performance was good, only few candidates were observed to have swapped the definitions of qualitative and quantitative variables. The other part of the question required to use the normal distribution method to find probabilities. The poor performance observed on this question could be attributed to candidates' inability to correctly use the Z-tables hence getting wrong probabilities. The overall performance on the question was good.

QUESTION SIX

The general performance on this question was poor. 19 out of the 51 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 37.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

The question presented a table of grouped data for the candidates. They were required to use the given data to find the mean, mean deviation, variance and coefficient of variation. It was observed that candidates were able to find the mean, variance and coefficient of variation, and only a few managed to find the mean deviation. The struggle on the mean deviation arose due to use of wrong formulae.

It is therefore recommended that candidates read and practice more of using different methods of solving grouped and ungrouped data as there is an observed use or interchange of formula applicable for the two methods.

Overall performance of candidates

Highest mark obtained in this paper**:** **74%**
Lowest mark obtained in this paper: **22%**
Overall pass rate in this paper: **67.8%**

SUBJECT: CA 1.3 BUSINESS ECONOMICS

QUESTION ONE

The general performance on this question was good. 64 out of the 111 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 57.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

QUESTION TWO

The general performance on this question was poor. 41 out of the 111 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 36.9%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

The question was divided into four (4) parts namely (a), (b), (c) and (d) as follows:

(a) This question required candidates to identify any three (3) factors that affect the demand for tomatoes at Soweto Market. This was fairly answered. The most common mistake was that many factors given related to supply rather than demand, for example the cost of inputs. Candidates must clearly understand the difference between factors affecting demand and those affecting supply. Further, the questions required merely the usual factors affecting demand for any good but applied to tomatoes and not any other.

(b) Required candidates to outline the type of market structure for tomatoes. This was fairly done too, though some candidates identified the correct market structure but no outline as to why. Similarly, other candidates confused market structures with economic systems giving answers like free market economy!

(c) Required candidates to explain any two (2) reasons why price fluctuations are very common with agriculture products. Majority of the candidates got full credit for this question. However, there are some who only identified one factor. Others managed to list the factors but no explanation was given. Candidates are strongly urged to understand the command words to address the specific requirements of a question.

(d) Following the introduction of a price floor for tomatoes by the government, this question required candidates to use demand and supply analysis to:

    (i) Show graphically the equilibrium position for tomatoes before the price floor. This was poorly done. Some candidates included the cost curves, shifts in demand and supply curves. Others merely drew two demand curves or supply curves. Finally, there were poor labels and graphs.

    The question merely required candidates to draw properly labelled demand and supply curves on one graph showing where they intersect (equilibrium). There is no equilibrium without the two curves intersecting or crossing each other; equilibrium always involved both the demand and supply curves.

(ii) Explain the effect on equilibrium position when the floor price is set above the equilibrium price.

QUESTION THREE

The general performance on this question was excellent. 62 out of the 66 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 93.9%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The question was divided into four (4) parts namely (a), (b), (c) and (d) as follows:

(a) This question required candidates to explain any two (2) gains and any two (2) losses from trade. This was well answered with almost all the candidates getting the full allocated marks.
(b) Required candidates to outline any three (3) points to explain whether protectionist measures are justified. This was well answered too though a few candidates presented the protectionist measures used such as tariffs, quotas, etc instead of explaining whether these could be justified. In short the question required candidates to provide arguments in favour of protectionism.
(c) Required candidates to describe any two (2) measures the government can put in place to protect domestic jobs lost as a result of international trade. This was well answered though those candidates who had provided these in (b) could not repeat them here.
(d) Required candidates to state any two (2) potential foreign exchange risks arising from international trade. This was not well answered by some candidates. Some candidates stated the effects of contractionary fiscal and monetary policies instead of stating the potential exchange risks!

QUESTION FOUR

The general performance on this question was very poor. 10 out of the 102 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 9.8%. The highest mark scored on this question was 16 out of 20 and the lowest was 0 out of 20.

The question was divided into four (4) parts namely (a), (b), (c) and (d) as follows:

(a) This question required candidates to explain the meaning of privatization and regulation.

(b) Required candidates to outline any three (3) reasons why the Zambian government chose not to privatize ZESCO. This was poorly answered. Many answers were too general in nature such as it is the only company providing electricity and the issue of load-shedding. The question simply required reasons for a government owning or nationalizing firm.

(c) Required candidates to explain any three (3) advantages of ZESCO's monopoly power in Zambia. This was poorly answered. Many answers were not related to monopoly market structure. The question simply required candidates to state the usual advantages and disadvantages of monopoly and apply them to ZESCO.
(d) Required candidates to explain any two (2) similarities between monopoly and oligopoly market structure. This was fairly answered. However, candidates mixed some characteristics with those of monopolistic competition!

QUESTION FIVE

The general performance on this question was excellent. 84 out of the 95 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 88.4%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

The question was divided into four (4) parts namely (a), (b), (c) and (d) as follows:

(a) This part of a question required candidates to outline any four (4) factors that distinguish free market economy from command economy. Majority of the candidates answered this question very well. However, a few confused free market economy with perfect competition! The question required understanding of the named economic systems.

(b) Required candidates to explain any three (3) roles of financial intermediaries in a free market economy. This was fairly done, although some candidates outlined the roles of the bank of Zambia alone. The question simply required candidates to explain the functions of financial intermediaries or financial institutions in a free market economy; an economy where the private sector plays a significant economic role.

(c) Required candidates to state any four (4) characteristics of money. This was well answered by almost all candidates. However, a few presented functions of money rather than the characteristics of money as required.
(d) This question required candidates to explain the role of the government in a command economy. Performance was largely fair but some candidates could not clearly address the question. The question required candidates to explain how the government addresses the three (3) fundamental economic questions of What to produce, How to produce and for whom to produce.

QUESTION SIX

The general performance on this question was good. 34 out of the 68 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 50%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

The question was divided into three (3) parts namely (a), (b) and (c) as follows:

(a) This question required candidates to define the concept of cost behavior in economics. This was fairly answered. Some candidates relating cost behavior to financial accounting point of view.
(b) Required candidates to state the difference between economic profit and accounting profit. This was fairly answered to but some candidates could not bring out the key difference which is the inclusion of implicit costs in calculating economic profit. Others swapped the equations for economic and accounting profits.
(c) This question was divided into three (3) parts (i) to (iii) and it required candidates to use the given table to:

    (i) Complete the table for variable cost, total cost, marginal cost, and average fixed cost. Performance was fair. However, some candidates could not calculate the correct values required to complete the table. Particularly, many candidates failed to calculate the values for variable cost correctly. Candidates need to use the usual formulae namely VC = AVC x Q; TC = FC + VC; MC = $\Delta TC/\Delta Q$; and AFC = FC ÷ Q

    (ii) Describe the shape taken by short run average costs. This was well answered.

    (iii) Explain the reason behind the shape taken by short run average costs. The answers to this question were largely poor. Some candidates explained in terms of economies of scale which is a long run concept.

Overall performance of candidates

Highest mark obtained in this paper: **71%**
Lowest mark obtained in this paper: **16%**
Overall pass rate in this paper: **60.4%**

SUBJECT: CA1.4 COMMERCIAL AND CORPORATE LAW

QUESTION ONE

The general performance on this question was excellent. 185 out of the 212 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 87.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

This question was compulsory and made up of 10 multiple choice questions covering different areas of the syllabus. The candidates passed this question, and no major challenges were observed, except that some candidates could not distinguish the detractors in a question. This could be ironed out by them studying deeply.

QUESTION TWO

The general performance on this question was fair. 119 out of the 210 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 56.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This was a compulsory question. All the candidates attempted the question.
Part (a) of the question required the candidate to explain an extraordinary General meeting. Some candidates were able to define and explain an extraordinary General meeting.

Part (b) required the candidates to list the powers of the liquidators. The candidates were able to list and explain the powers of a liquidator. No major challenges were experienced by candidates.

Part (c) required the candidate to show understanding on whether a party can contract with a minor. The candidates were able to identify that Minors cannot contract and have No legal capacity unless in certain exceptional circumstances.

Part (d) required the candidates to show understanding on how an agency relationship can be terminated. The candidates were able to list two circumstances where the Agency relationship can be terminated.

Part (e) required the candidates to explain the Golden rule of Interpretation. Most of the candidates were able to adequately explain the concept.
In future, candidates should read widely.

QUESTION THREE

The general performance on this question was very good. 61 out of the 79 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 77.2%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

This question was divided into four parts;

Part (a) required candidates to discuss the breach of contract arising from the scenario and further discuss the solutions possible with focus on defenses and liabilities under the Zambian contract law.

Part (b) required candidates to analyse the employments rights arising from the scenario under the employment code act in relation to redundancy and severance.

Part (c) required candidates to discuss the obligations and potential liability under the sale of goods act 1893 in relation to the scenario herein.

Part (d) required to discuss the issues in the scenario in line with the principle of ultra vires doctrine under the companies act no 10 of 2017 and how it affects shareholders' rights and the company. Most of the candidates presented legal principles that were not asked. In future candidates should stick to the requirements of the question.

QUESTION FOUR

The general performance on this question was very good. 143 out of the 188 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 76.1%. The highest mark scored on this question was 20 out of 20 and the lowest was 1 out of 20.

This question was divided into four parts as follows:
Part (a), (b), (c) and (d) and required candidates with the aid of case law to explain:
(a) Invitation to treat
(b) Communication of acceptance
(c) Consideration must not be in the past
(d) Fraudulent misrepresentation

The candidates could not discuss the elements and definitions of part (d) of the question on fraudulent misrepresentation. That means that future candidates will need to read the manual in detail, leaving no topic untouched.

QUESTION FIVE

The general performance on this question was poor. 45 out of the 159 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 28.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

This was an optional question and majority of the candidates attempted this question. Part (a) of the question required the candidate to explain how the Zambian Republican Constitution is the

primary and supreme source of the law using statute and case law. The candidates were able to provide case law and not able to use statute to support their answer. This part of the question was poorly answered by majority of the candidates.

Part (b) Required the Candidate to explain the procedure a company can use to reduce its share capital. The candidates could explain the procedure to reduce share capital. The candidates wrongly answered this part of the question which suggests a lack of understanding of the question.

QUESTION SIX

The general performance on this question was good. 145 out of the 209 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 69.4%. The highest mark scored on this question was 19 out of 20 and the lowest was 0 out of 20.

This was an optional question that had 5 parts and majority of the candidates attempted it.
Part (a) required candidates to write short notes on the Duty of care. The candidates were able to identify that it is a concept derived from the law of tort under negligence but failed to adequately explain the concept.
Part (b) required candidates to write short notes on Damage. Candidates that attempted this question understood the concept of negligence but other candidates understood the concept of Damage and were able to adequately define and explain it.
Part (c) Required the candidates to write short notes on Redundancy. Most of the Candidates were able to explain the concept adequately and gave adequate examples of circumstances when Redundancy takes place.
Part (d) Required the candidates to write short notes on the concept of Redundancy payment. Most of the candidates understood this concept but did not take the time to adequately explain the concept and cite relevant examples. They all defined the concept correctly but did not discuss the concept.
Part (e) required the candidate to explain the concept of a Public Limited Company. The candidates were able to explain the concept.

Overall performance of candidates

Highest mark obtained in this paper: **92%**
Lowest mark obtained in this paper: **15%**
Overall pass rate in this paper: **75.5%**

SUBJECT: CA 1.5 MANAGEMENT THEORY AND PRACTICE

QUESTION ONE

The general performance on this question was excellent. 54 out of the 60 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 90%. The highest mark scored on this question was 20 out of 20 and the lowest was 4 out of 20.

This question was compulsory comprised of ten (10) multiple choice questions and examined all the learning outcomes of the manual in CA 1.5 Management Theory and Practice.

QUESTION TWO

The general performance on this question was good. 41 out of the 60 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 68.3%. The highest mark scored on this question was 20 out of 20 and the lowest was 1 out of 20.

This question was divided into three (3) parts; (a), (b) and (c). In part (a), the majority of the candidates explained the four major responsibilities of a CEO well which are; Development of business strategy, investment and financing options, risk and management, and board committees.

In part (b), many candidates stated the leadership style exhibited in the case which is Authoritarian style of leadership.

For part (c), candidates were able to outline any ten (10) qualities that are essential to a leader (judgement, Drive, Fairness, Energy, Initiative, Human relations skills, Ambition, Emotional stability, Integrity, Dependability, Objectivity etc.

QUESTION THREE

The general performance on this question was fair. 21 out of the 44 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 47.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

The question had three (3) parts; part (a), (b) and (c).

Part (a) required candidates to define the term personality. Part (b) required candidates to identify the two (2) components that define personality or ways in which people differ from

each other. Part (c) required candidates to explain the three (3) main issues in team building that should be considered to keep the team together.

Part (a) Majority of the candidates gave a correct definition of personality.

Part (b) A good number of candidates failed to mention two components that define personality differences. The correct components are; Personality traits (qualities of an individual) and personality type (psychological preferences of an individual). A good number of candidates got this part of the question wrong.

Part (c) Majority of the candidates gave the three issues to consider in building up a team while other candidates wrote about the negatives (what does not build teams). This demonstrates a lack of understanding of the requirement of the question. The three issues are; Team identity (a sense of belonging), Team solidarity (encourage loyalty among members) and Shared objectives (commitment to shared work objectives and to cooperate willingly)

QUESTION FOUR

The general performance on this question was poor. 13 out of the 43 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 30.2%. The highest mark scored on this question was 18 out of 20 and the lowest was 0 out of 20.

This question had three (3) parts; (a), (b) and (c).

In part (a), candidates were expected to indicate how the formal company works in terms of policy, regulations, provision of job descriptions, acceptable work practices, division of labour etc. However, most candidates lost marks by giving general answers. Understanding the requirements of the question is critical.

Part (b) Most candidates failed this part of the question that required them to describe the four (4) work planning activities. The planning activities candidates were expected to describe are; Task sequencing, scheduling, establishing checks and controls, contingency plans and coordinating the efforts of individuals. Most candidates were just explaining planning as a managerial function.

Part (c) There was a challenge on this part of the question as many candidates gave general leadership qualities without making reference to what Kanter suggested as useful skills for leaders in managing change. Kanter explained how a good leader must approach and engage employees. His focus was on creating an affection with the employees through team building, communicating a compelling aspiration, challenging the prevailing organisation wisdom and transforming ownership into a working team.

QUESTION FIVE

The general performance on this question was very good. 31 out of the 38 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate

recorded was 81.6%. The highest mark scored on this question was 20 out of 20 and the lowest was 1 out of 20.

This question was divided into three (3) parts; part (a), (b) and (c).

Part (a) Majority of the candidates managed to explain the three methods of production; Job production, Batch production and Flow production without difficulties.

Part (b) A few candidates had challenges on this part of the question explaining how Nokia became a market leader in the industry. The following are the reasons that gave Nokia a competitive edge; large scale production, an efficient supply chain, focus on mass production, cost effective manufacturing and offering affordable handsets to a broader customer base.

Part (c) This part of the question was well answered by many candidates.

QUESTION SIX

The general performance on this question was excellent. 47 out of the 55 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 85.5%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

This question was divided into two (2) parts (a) and (b).

Part (a) The five Cs of moral duty in the King report (1994) were well described except just a few candidates who were getting two wrong out of the five. The correct five Cs are; Conscience, Care, Competence, Commitment and Courage.

Part (b) The five elements of integrity in corporate governance were well listed which include; Honesty, Ethical standards, Consistency, Accountability and Respect.

Overall performance of candidates

Highest mark obtained in this paper: **84%**
Lowest mark obtained in this paper: **25%**
Overall pass rate in this paper: **73.3%**

SUBJECT CA1.6 – BUSINESS COMMUNICATION

QUESTION ONE

The general performance on this question was excellent. 71 out of the 84 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 84.5%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.

This question required candidates to select the best answer from the given options. Candidates who did not perform well failed to select the best answers and that affected them. Some candidates were able to select answers that were close to the best options, and unfortunately lost marks because their answers were not the best options.

QUESTION TWO

The general performance on this question was excellent. 67 out of the 83 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 80.7%. The highest mark scored on this question was 18 out of 20 and the lowest was 6 out of 20.

This was a compulsory question and it required candidates in the first part (a) to write a memorandum to Concerned staff addressing the repeated negative work behavior from a given scenario. Candidates were also required to include company expectations and consequences of continued misconduct and requested affected staff to provide a written explanation within forty-eight (48) hours of receiving the memo. The second part (b) required them to outline two (2) roles of the main body in a memorandum.

The most common errors that were observed on this question were:

(1) Omitting the compulsory question
   (i) No appropriate opening paragraph
   (ii) Poor subject line and in some cases, some candidates failed to include the subject line and other elements of a memo.
   (iii) Poor spellings
   (iv) Repeated points
   (v) Failure to include important details such as a statement of consequences of misconduct as highlighted in the scenario as well as the company expectations and also a request to provide a written explanation within 48 hours of receiving the memo

(2) Inadequate content

   (i) Mixed points
   (ii) In some cases, some answers just lacked clarity

QUESTION THREE

The general performance on this question was good. 28 out of the 44 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 63.6%. The highest mark scored on this question was 18 out of 20 and the lowest was 3 out of 20.

This question required candidates to explain in part (a); four (4) levels of management in an organization identifying the type of information system commonly used at each level in the first part(a) of the question. For part (b) candidates were required to list two (2) categories of data quality principles that organizations can adopt, while part (c) required them to outline the steps you would use to delete a file on a computer using Windows.

The common mistakes that were observed were:

(1) The four levels of management in an organization were well explained and identified. Some students wrongly placed the information systems like Transaction Processing System in the Middle level and Decision Support system was also wrongly placed at the Top level. Some candidates did not identify the type of information system commonly used at each level.

(2) This question was well answered. However, the structure or layout of the answer was not correct as they explained. This resulted in incomplete explanations or answers.

(3) The steps to use when deleting a file on a computer using Windows were not well answered. Clicking of the mouse was not correctly written and was misleading. Some candidates right clicked or left clicked the mouse and thus failed to give a correct procedure.

QUESTION FOUR

The general performance on this question was poor. 25 out of the 63 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 39.7%. The highest mark scored on this question was 20 out of 20 and the lowest was 2 out of 20.
Part (a) required candidates to write a formula to find the following: the total sales for each product, the product that brought more income and put a comment "Good" for each product total above 2000 and "Bad" for less.

Part (b) required them to discuss three (3) advantages of using email for internal organizational communication, while part (c) required them to explain each type of controls in the control mix.

The common mistakes that were observed in the answers from candidates for this question were:

(1) The question was generally poorly answered by most candidates. The formulas were not correctly written. Some candidates wrote the mathematical calculation instead of excel formulas to perform the calculations.

(2) The question was well answered by most candidates who managed to state the advantages of using email for internal organization communication

(3) Some candidates did not understand the question, they were explained controls different from what was asked, like input/output controls or process controls. The question required them explain the types of controls in the control mix like preventive, detective and corrective controls, this was not the case in their answers.

QUESTION FIVE

The general performance on this question was excellent. 60 out of the 73 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 82.2%. The highest mark scored on this question was 20 out of 20 and the lowest was 0 out of 20.

Part (a) of this question required candidates to outline any five (5) benefits of using visual communication during board meetings from a given scenario in the question, while part (b) required them to explain five (5) limitations of using visual communication.

The common errors observed included candidates presenting barriers to effective communication which was not supposed to be the case while others kept repeating same answers.

QUESTION SIX

The general performance on this question was very good. 57 out of the 72 candidates that attempted the question passed (got at least 10 out of the total 20 marks available). The pass rate recorded was 79.2%. The highest mark scored on this question was 18 out of 20 and the lowest was 4 out of 20.

The first part (a) of this question required candidates to define the following meeting terminologies that are commonly used during a meeting session: Notice of a meeting, Committee, motion, deliberations and addendum. Part (b) required them to explain one (1) reason it is important to ensure that each of the following pieces of information is included in the notice of a meeting document: Venue, the members eligible to attend the meeting, the agenda, the time a meeting will start and the type of a meeting.

Most candidates failed to define meeting terms such as deliberations and addendum. In some instances candidates defined motion as emotions which was not correct too.

Overall performance of candidates

Highest mark obtained in this paper: **80%**
Lowest mark obtained in this paper: **25%**
Overall pass rate in this paper: **78.6%**

SUBJECT: CA2.1 FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was fair. Only 40 out of the 80 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 50%. The lowest score was 1 whilst the highest was 32 out of the available 40 marks.

The question had three (3) parts, (a), (b) and (c). Part (a) required candidates to explain the circumstances under which a subsidiary may be excluded from being consolidated by its parent, part (b) required candidates to prepare the consolidated statement of profit or loss and other comprehensive income, while part (c) required candidates to prepare the consolidated statement of financial position.

The following are the observations:

(1) Failure to explain the circumstances under which a subsidiary may be excluded from consolidation in accordance with IFRS 10.
(2) A significant number of candidates failed to appropriately apply time apportionment in consolidating the results of the subsidiary, as only post-acquisition revenues and expenses are consolidated. This resulted in the loss of straightforward marks across multiple requirements. Candidates are strongly advised to consistently compare the acquisition date with the reporting date in group accounting questions to ensure accurate time apportionment.

(3) Failure to provide adequate supporting workings - A recurring weakness was the failure by some candidates to provide clear, logical and sufficiently detailed workings. Some candidates presented consolidated figures without demonstrating how the amounts had been derived. As a result, where the final figures were incorrect, it was difficult to establish the candidate's underlying approach, and marks were consequently lost.
(4) With respect to goodwill computation, several inaccuracies were noted. Some candidates incorrectly applied time apportionment to the share exchange consideration, thereby distorting the valuation.
(5) Additionally, there was evidence of limited understanding in the computation of Non-Controlling Interest (NCI) to be included in both the statement of profit or loss and other comprehensive income, and consolidated statement of financial position. Only a minority of candidates correctly apportioned NCI between the Statement of Profit or Loss and Other Comprehensive Income (OCI). Most candidates restricted the allocation to profit or loss, overlooking OCI components that equally required attribution between the parent and NCI.
(6) A few candidates incorrectly included the subsidiary's share capital in the Consolidated Statement of Financial Position. Candidates should be clear that, on consolidation, the

subsidiary's share capital and other pre-acquisition equity balances are eliminated against the parent's investment in the subsidiary. Consequently, the consolidated statement of financial position presents the share capital of the parent company only, together with the appropriate components of consolidated equity and NCI.

(7) A good number of candidates could not correctly calculate unrealised profit on the sale of goods, with another few that correctly calculated but failed to include within group cost of sales and allocate a share to NCI.

The poor performance on this question is enough evidence that candidates do not prepare adequately for the exam before attempting it. Future candidates are advised to prepare adequately for the exam and are also advised to review the past papers to identify the skills required in applying their knowledge in the examination.

QUESTION TWO

The general performance on this question was poor. 26 of the 70 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 37.1% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

The question required candidates to prepare single entity financial statements in accordance with IAS 1 – Presentation of Financial Statements. It was made up of parts (a) and (b).

In Part (a) candidates were required to prepare the Statement of Profit of Loss and Other Comprehensive Income, while in Part (b) candidates were required to prepare the Statement of Financial Position, considering adjustments arising from application of various IFRSs.

The question had accompanying notes on various International Financial Reporting Standards (IFRSs) that needed to be adjusted for.

The following are the common mistakes made by the candidates:

(1) Failure to properly account for the right of use asset and lease liability in accordance with IFRS 16 – Leases. Some candidates failed to properly amortise the lease liability resulting in wrong figure of finance cost.
(2) Failure to calculate depreciation charge correctly on items of property, plant and equipment, income tax expense, total finance cost, and dividends payable.
(3) Picking of wrong figures from the trial balance. Candidates of future sittings are reminded to pay attention to the question to avoid repetition of these mistakes.
(4) Failure to properly account for provision for warranties and decommissioning and warranties. Many candidates failed to incorporate unwinding discount on provision for decommissioning which a long-term provision in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

(5) Candidates did not show all necessary workings by simply dropping compound figures in the statement of profit or loss without showing how these were derived.
(6) Financial Statements Format – Some candidates could not present the financial statements in the correct format. Students seem to have challenges with the standard presentation of financial statements.

Candidates of future sittings are reminded to do more practice on single entity financial statements and application of IFRSs and IASs that normally come as accompanying notes.

QUESTION THREE

The general performance on this question was good. 41 of the 65 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 63.1% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

The question was made up of two (2) parts. In part (a) candidates were required to calculate the equivalent ratios given in the question, while part (b) required candidates to comment on the financial performance and position of a company. The following are the common mistakes made by the candidates:

This question was generally well answered, with a pleasing level of knowledge being displayed regarding interpretation of financial statements.

Common Mistakes

(1) Most candidates failed to correctly calculate the financial ratios, as they were using wrong formulas, while others demonstrated lack of knowledge on financial ratios.
(2) Most of the Candidates who attempted to compute the ratios could not give a proper analysis or comments. Candidates failed to express themselves properly, they could not give reasons for the underlying outcomes of the ratios computed.
(3) Most of the Candidates exhibited poor communication skills. Their English is worrying as future Accountants.

Candidates of future sittings are advised to avoid selective studying. Interpretation of financial should be practiced as it is one of the highly examined topics in CA 2.1.

QUESTION FOUR

The general performance on this question was poor. 17 of the 52 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 32.7% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

The question was made up of parts (a) and (b). Part (a) required candidates to describe the IFRS Foundation's standard setting process, while part (b) required candidates to explain the accounting treatment of various matters in accordance with IFRSs.

Common mistakes made when answering this question included:

(1) Failure to describe the IFRS Foundation's standard setting process. Many candidates demonstrated lack of knowledge on the subject area, while a few who attempted this question explained the advantages of IFRSs/IASs instead.
(2) Failure to apply the key principles in IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations for classification of an asset as held for sale.
(3) Failure to apply the principles in IAS 37 Provisions, Contingent Liabilities and Contingent Assets for recognition and measurement of a provision.
(4) Failure to apply the principles in IAS 2 – Inventory and IAS 10 – Events After the Reporting Period in accounting for inventories.

Candidates of future sittings are advised to study thoroughly all the examinable IFRSs/IASs in CA 2.1 in order for them to perform better in the examination.

QUESTION FIVE

The general performance on this question was very poor. 5 of the 42 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 11.9% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

This question had two (2) parts. Part (a) (i) required candidates to explain 'control' and the factors that indicate control has moved to the buyer according to IFRS 15 – Revenue from Contracts with Customers, part (a) (ii) required candidates to advise the directors on the accounting treatment of the issues in the scenario in accordance with IFRS 15 and IAS 8, part (b) (i) required candidates to explain four (4) objectives of the International Public Sector Accounting Standards Board (IPSASB), while part (b) (ii) required candidates to explain three (3) ways of measuring the financial performance of public sector entities.

The following are the observations:

(1) Failure to explain "control" and the factors that indicate control has been transferred to the buyer in accordance with IFRS 15 – Revenue from contracts with customers.
(2) Candidates failed to apply the IFRS 15 principles to account for the transaction in the scenario. Many candidates talked about the five – step revenue recognition model but failed to apply it especially on the allocation of revenue to performance obligations. Candidates also failed to apply IAS 8 – Accounting for Changes in Accounting Policy,

Accounting Estimates and Errors. The company made a prior year error which candidates failed to identify and failed to pass the journal entries to correct the error.

(3) Failure to explain the objectives of the International Public Sector Accounting Standards Board (IPSASB) demonstrating lack of knowledge on the regulation of public sector financial reporting.

(4) Many candidates failed to explain the ways in which financial performance of a public sector entity can be measured.

Many candidates were not comfortable with theory questions. Candidates of future sittings are reminded that theoretical part of the syllabus is equally important in financial reporting. Candidates should be able to bring out the theoretical principles of the IFRSs/IASs.

Overall performance of candidates

Highest mark obtained in this paper: **65%**
Lowest mark obtained in this paper: **6%**
Overall pass rate in this paper: **45%**

SUBJECT: CA2.2 MANAGEMENT ACCOUNTING

QUESTION ONE

The general performance on this question was very poor. Only 6 of the 134 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 4.5% was recorded. The highest score was 26 out of 40 marks while the lowest was 0.

This question required candidates to:

(a) calculate the annual production overhead for the year 2025, using the high low method
(b) calculate the budgeted fixed production overheads for the year 2026 using the calculated fixed production overheads in part (a) above.
(c) Calculate:
    (i) breakeven mix in units and
    (ii) analyse the breakeven sales mix calculated in (c) (i) into units for each product.
    (iii) number of units to be sold per product to achieve the target profit of K1,024,000

(d) using the sales units calculated in (c) (iii), to prepare the following budgets for the year 2026:
    (i) Production budget for products light and heavy (in units)
    (ii) Raw materials purchase budget in Kwacha

(e) calculate the:

    (i) Total sales volume variance using the sales units calculated in (c) (iii) above
    (ii) Total sales mix variance

    The question was poorly attempted with few candidates scoring good marks whilst a number of them got very low marks.

Common errors were as follows:

Part (a):
(1) A number of candidates failed to calculate the variable cost per unit and subsequently failed to calculate the fixed costs figure of K2,000,000 per Quarter.
(2) A few candidates who managed to calculate the K2,000,000 fixed overheads did not multiply this figure by the four (4) Quarters to get the annual fixed overheads figure of K 8,000,000.
(3) Some candidates added the high and low figures to get the variable cost per unit. Of course, this was a meaningless figure.

Part (b):
Some candidates who managed to fixed overheads figure of K 2,000,000 for 2025 did not increase by 20% as required by the question so as to get the budgeted fixed production overheads of K9,600,000 for 2026.

Part (c):
(1) Some candidates failed to use the weighted average contribution per unit to compute the BEP mix in units. A lot of candidates used the simple contribution per unit for one product. But in this question, there were two products. Therefore, a weighted average contribution was required.
(2) Hardly any candidate attempted to analyse the sales mix in (c) (i) into units for each product. Future candidates should refer to the suggested solution on how to do this analysis.
(3) A number of candidates did not show the formula for calculating the required units.

Part (d):
(1) In preparing the production budget, some candidates subtracted the closing inventory from the targeted sales units instead of adding it. Similarly, the opening inventory was being added instead of being subtracted.
(2) Some candidates omitted the raw materials purchases budget for the year 2026.

Part (e):
(1) A number of candidates had a challenge to work out the total sales volume variances. For those who managed to calculate the sales volume variances in sales units, they wrongly valued them at the selling prices of K400 and K600 for products Light and Heavy, respectively, instead of valuing them at the contribution per unit of K98 and K148.
(2) Some candidates had challenges with the sales mix variances.
(3) A number of candidates did not attempt part (e) at all. Of course, if a candidate did not attempt part (c) (iii), it was not possible to answer part (e) because part (e) depended on part (c) (iii) target sales figures.

QUESTION TWO

The general performance on this question was fair. 23 of the 50 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 46% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

Question Two required candidates to:

(a) prepare separate statements showing (i) the cost per in-patient day and (ii) cost per out-patient attendance for each hospital.
Candidates were expected to compute the total costs and then divide by the in-patient day.

(i) Calculate for each hospital the bed-occupation percentage

(ii) Using the information from parts (i) and (ii), comment on the cost per in-patient day and per out-patient attendance.

(iii) Describe two (2) situations in which the time basis of remuneration is likely to be more appropriate than the piece-work scheme.

(b) To state an appropriate cost unit for each of the following businesses:

(i) Professional accounting office

(ii) Steel works

(iii) Restaurant

Common mistakes made by poorer candidates included:

(1) In most cases candidates managed to compute the total costs but failed to calculate the total in-patient days in (a) (i). Consequently, got the final answer wrong.
(2) A good number of candidates managed to compute the total costs but failed to calculate the total in-patient days in (a) (ii).
(3) Most candidates did not express the answers in percentages in (a) (iii).
(4) Several candidates failed to give clear comments in relation to each case. Only few candidates understood the requirements of the question in (a) (iv).
(5) In (a) (v) most candidates guessed the situations and, consequently were off the mark. Performance was poor on this section.
(6) Most candidates did not have difficulties in part (b).

QUESTION THREE

The general performance on this question was good. 84 of the 119 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 70.6% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.

This question required candidates to:

(a) Prepare a report advising the production manager upon suitable pricing strategies for the company taking into account (i) Cost-plus Pricing;(ii) Marginal cost pricing; (iii) Target pricing; and (iv) Life cycle pricing.

(b) Explain three (3) differences between financial and management accounting.

Common mistakes made by the candidates included:

Part(a):

(1) Some candidates had difficulties in presenting the solution in report format, instead they presented a letter.
(2) A good number of candidates did not present their answer in a report format as per the requirement. They lost marks for the appropriate format.
(3) Cost-plus pricing and marginal cost pricing methods were well explained in most cases.
(4) Target pricing and life cycle pricing were not well explained. Future candidates should consult the suggested solutions.

Part (b):

This part was well attempted by nearly all the candidates who chose this question. Candidates had no difficulties at this stage and passed well on average.

QUESTION FOUR

The general performance on this question was poor. 23 of the 109 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 21.1% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

This question required candidates to:

(a) Prepare the optimal production plan and the profit that will be earned from the optimal plan.
(b) (i) calculate the fixed overhead absorption rate for Finishing Shop and the Machine Shop based on (i) labour hours and (ii) machine hours.
(ii) calculate the total cost per unit for products A, B and C

Parts (a) and (b) were not well attempted. In particular, part (a) was very badly attempted.

The common mistakes made by the candidates included:

(1) Failing to confirm the limiting factor. The limiting factor were components. Candidates needed to calculate the components per unit (component cost per unit divided by the cost, K40 per component) because these were not given in the question. E.g. for product P, the number of components per unit =K80/K40 = 2 units. Thereafter, multiply the units per component by the maximum demand units to get the total required components. This came to 16,060 and was compared with the available 11,200 units. The available components were not enough. Therefore, the components were a limiting factor.

(2) Excluding component X costs in the calculation of contribution.

(3) Ranking based on contribution per unit instead of ranking on the basis of contribution per limiting factor, i.e. per component.

QUESTION FIVE

The general performance on this question was good. 97 of the 130 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 74.6% was recorded. The highest score was 18 out of 20 marks while the lowest was 2.

Question Five required candidates to:

(a) explain financial & non-financial information and give two examples on each type of information that management system would provide to the management of the scenario question.

(b) explain the difference between budgeting and responsibility accounting.

Most candidates explained what budgeting was but could not explain what responsibility accounting was. Future students should refer to the suggested solutions.

(c) explain any three responsibility centres that the company could have introduced.

(d) explain to management any three functions a system of budgeting plays in an organization.

Candidates encountered several challenges in displaying in depth knowledge on the budgetary and related systems such as the following;

(1) Failure to identify and correctly state the various responsibility centers – Several candidates did not recognize the required responsibility centre and ended up stating their own view of 'responsibility'.
(2) Poor presentation of solutions – Some Candidates failed to show clear narrations and definitions.

Overall performance of candidates

Highest mark obtained in this paper: **73%**
Lowest mark obtained in this paper: **11%**
Overall pass rate in this paper: **34.5%**

SUBJECT:2.3-AUDITING PRINCIPLES AND PRACTICE

QUESTION ONE

The general performance on this question was good. Only 95 out of the 138 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 68.8%. The lowest score was 1, whilst the highest was 36 out of the available 40 marks.

Part (a) of the question required candidates to explain 6 ethical matters in the scenario and to suggest suitable safeguards. This topic has been examined in a similar manner in past examination questions. The performance in this question was good with an average score of 20 marks and more than half the candidates attempting this question scoring half or more of the available marks.

The following observations were made:

(1) There were candidates who discussed the five ethical threats of self-interest, self- review, advocacy, intimidation and familiarity in great detail with no reference to the scenario and this did not address the question requirement and no marks were awarded for doing so.
(2) Many candidates referred to declining appointment as a safeguard when the firm had already been appointed and accepted appointment. In this situation resignation may be an option and not declining.

Part (b) of the question required candidates to explain 3 financial statement assertions relevant to account balances. Candidates should have brought to bear their understanding of assertions for transactions and balances. the question did not suggest the balances that should be considered and candidates were free to choose any balance of their choice and to suggest a suitable audit procedure for the assertion chosen.

The performance in this part was poor and most candidates scored less than half the available marks.

Part (c) of the question required candidates to explain the difference between an interim and final audits. Most of the candidates correctly answered this part of the question and scored maximum marks. Candidates are reminded that the objectives of both interim and final audits is to gather sufficient appropriate evidence that will enable the auditors form an opinion on the financial statements. The difference is the timing in that the audit work may be done at two different stages with the interim suggesting work being done during the course of the year while the final audit is the one done at the period end.

In part (d) of the question required candidates to explain procedures or tasks that are likely to be performed during an interim audit. Candidates needed to consider the fact that the work done

during the interim audit stage may have an impact on the nature and extent of procedures to be performed at the final audit stage. Further, it is important to understand that no opinion is issued after an interim audit and that there is only one opinion issued at the end of the final audit.

Part (e) was divided into two parts. The first part required candidates to describe 5 audit procedures for the figure of inventory in the financial statements. It is important that candidates should have remembered that auditors have responsibilities to perform with regards inventory, before the inventory count, during the inventory count and after the inventory count.

The second part of (e) required candidates to explain 5 weaknesses in the inventory count instructions and to suggest an appropriate improvement to the weaknesses observed. The weaknesses were easily identified and explained in the information in the scenario. A majority of the candidates scored maximum marks in this part of the question.

QUESTION TWO

The general performance on this question was poor. Only 21 of the 95 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 22.1% was recorded. The highest score was 14 out of 20 marks while the lowest was 1.

Part (a) of the question required candidates to explain 5 audit risks in the audit of the financial statements of ZamCare Ltd and to suggest appropriate auditor responses.

The following observations were made:

(1) A significant number of candidates tried to explain audit risks in the scenario but did not explain the impact of the risk on the financial statements which is required and expected in explaining audit risk. What makes a risk an audit risk is how it impacts the financial statements.
(2) A few candidates did not give appropriate audit responses to the risks explained and as usual others gave responses from the point of view of management.

Part (b) (i) of the question required candidates to explain the audit risk with regards subsequent events. In other word candidates were expected to explain what could go wrong in the financial statements if subsequent events are not accounted for as required. Knowledge of the provisions of IAS 10 *Events after the reporting period* to satisfactorily answer this question.

The following observations were made:

(1) A majority of the candidates did not attempt to answer this part of the question. Most of those that attempted to answer it explained the meaning of adjusting and non- adjusting events without explaining the audit risk as required.

(2) Candidates quoted ISA 560 definitions & explained general rules regarding adjusting v non-adjusting events without explaining the actual audit risk in the scenario which is inappropriate treatment of adjusting and non-adjusting events.

Part (b) (ii) of the question required candidates to discuss the accounting for subsequent events in the scenario and to explain the implications on the opinion if matters remain unresolved.

The following observations were made:

(1) A sizeable number of candidates simply stated that they do or they do agree with the accounting treatment of the events .
(2) Many of the candidates did not explain correctly the possible implication on the stated accounting treatment on the audit opinion thereby losing the marks allocated for doing so.
(3) Candidates failed to explain that a post year end fire is a non-adjusting event under IAS 10. The audit risk was that management incorrectly adjusted the year-end inventory figure rather than disclosing the material non-adjusting post balance sheet event in the financial statements notes.

QUESTION THREE

The general performance on this question was poor. Only 20 of the 78 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 25.6% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

Part (a) (i) of the question required candidates to explain matters that will be considered in arriving at an opinion considering the summary of uncorrected misstatements in the audit. Candidates were expected to discuss materiality issues and to use the information in the scenario to determine materiality and also compare the uncorrected misstatements to the materiality levels.

The following observations were made:

(1) There were candidates that simply explained matters with no reference to the figures in the scenario which should have enabled them comment appropriately on the materiality levels.
(2) There were candidates who simply suggested an appropriate opinion without any information supporting the opinion suggested.
(3) Some candidates discussed weaknesses in internal controls as the basis for the suggested opinion but which information was not in the scenario.

Part (a) (ii) was a knowledge based question requiring candidates to explain the impact on the audit opinion if the auditors are not able to obtain evidence on account of a limitation of scope. In this case there are two options for the auditor in that if the matter giving rise to a limitation of

scope is considered material and not pervasive a qualified opinion will be appropriate. If however the matter is considered material and pervasive, a disclaimer of opinion will be appropriate.

The following observations were made:

(1) There were many candidates that simply suggested an opinion with no further explanations to justify the said opinion.
(2) There were candidates who suggested modification of the opinion which is correct but they needed to specify the form of modification which could only be either a qualified or disclaimer of opinion.

Part (a) (iii) of the question required candidates to evaluate the appropriateness of the using internal auditors to perform tasks (1) to (3) in the scenario. Candidates required to have knowledge of ISA 610 *Using the work of internal auditors* to answer this part of the question correctly. A sizeable number of candidates showed lack of this understanding.

Candidates should have observed that in risk areas and those that require judgement, the external auditors should perform the work and not assign internal auditors under a direct assistance arrangement.

The following observations were made:

(1) A number of candidates simply stated that the auditors could or could not use internal auditors with no explanation to support this conclusion.
(2) There were candidates who combined the answer for all three uses of internal audit instead of discussing each one of them in turn. They simply explained that it was not appropriate to use internal auditors for tasks (1) to (3).
(3) There were answers that showed lack of understanding of the relevant standards on the use of internal audit by suggesting for example that the internal auditors had already done the best in (1) to (3) and hence the external auditors can use that.

Part (b) (i) was a knowledge based question requiring candidates to explain 4 benefits of a partnership having its financial statements audited by independent auditors. A majority of the candidates scored more than half the available marks.

The following observations were noted:

(1) There were candidates who explained the objectives of an external audit which did not address the question requirement and there were no marks awarded.
(2) There were candidates that explained that it was ethical to have financial statements audited which is not correct in the context of the question.

Part (b) (ii) of the question required candidates to explain the procedures that the audit firm in the scenario should follow in seeking professional clearance from the outgoing auditors before accepting appointments. Candidates should have considered the steps that should be taken from obtaining permission from the outgoing auditors. A majority of the candidates did not give sufficient points to warrant earning the maximum marks.

The following observations were made:

(1) A sizeable number of candidates simply explained that the nominee auditors should communicate with the outgoing auditors without explaining the procedure that should be followed which was the question requirement.
(2) Many candidates focused on discussing the issues that should be discussed with the outgoing auditors without explaining the process that should be followed.

QUESTION FOUR

The general performance on this question was very good. Only 95 of the 119 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 79.8% was recorded. The highest score was 19 out of 20 marks while the lowest was 2.

Part (a) was a question on ethical dilemmas faced by the audit team on the audit of the financial statements of Makulu Ltd. Candidates needed to use the information in the scenario in answering this part of the question. In explaining the ethical dilemmas, candidates needed to explain the matter and indicate the form of threat that arises. Simply stating the ethical matter with no relating to the ethical threats did not earn maximum marks.

The following observations were made:

(1) Some candidates explained suitable safeguards for the ethical issues discussed which was not part of the question requirement. No marks were awarded and this was. A clear waste of valuable examination time. Candidates are reminded to follow the instructions in the question requirement.
(2) There were candidates who struggled to relate the ethical dilemmas to each of five ethical threats of self-interest, self-review, Advocacy, intimidation, and familiarity. The approach that should be followed in answering this type. Of question is to explain each of the ethical threats in a given scenario and concluding by stating the form of threat it poses.

Part (b) (i) of the question required candidates to explain the difference between tests of detail and analytical procedures. Candidates should take note that these two are both forms of substantive audit tests that auditors perform. Both of them aim at obtaining evidence that the financial statements are not materially misstated.

Part (b) (ii) of the question required candidates to describe 5 substantive audit procedures to perform in the audit of plant & equipment in Makulu Co. Candidates should have considered the financial statements assertions related to plant & equipment in answering this question.

The following observations were made:

(1) As has been observed in earlier examiner's reports on the subject of audit procedures, most of the candidates explain methods of obtaining evidence instead of using these to describe audit procedures. The above are not substantive procedures and some are technically incorrect showing lack of understanding of the subject matters.
(2) Most of the candidates only explained professional skepticism without explaining the meaning of professional judgement.

Part (c) of the question required candidates to explain the difference between professional skepticism and professional judgement. This could have been achieved by explained the meaning of each of these two terms. Although a majority of the candidates correctly explained the two terms, there were some that failed to do so and gave answers that were clearly wrong. These are important principles in auditing and candidates are encouraged to make sure they understand their meaning and the circumstances in which they are used.

The following observations were made:

(1) Some candidates explained circumstances of when either of the two should be applied which was not the question requirement.
(2) Explaining professional judgement as the application of general knowledge of understanding on something when making decisions.

Part (d) of the question required candidates to explain the meaning of sufficient evidence and appropriate evidence that is obtained during the conduct of audit. There was evidence of lack of understanding the meaning of sufficient appropriate evidence which simply means in terms of quantity and quality/reliability of evidence respectively.

The following observations were made:

(1) A significant amount of incorrect explaining of sufficient and appropriate for example the following answers:
    (i) Sufficient is the evidence the auditor appreciates to form an audit opinion on the financial statements.
    (ii) Sufficient evidence is closely linked to absolute assurance while appropriate evidence is limited to limited assurance.
    (iii) Sufficient evidence is a level of evidence an auditor acquires to give an opinion.
(2) There were a few candidates who swapped the meaning of these two terms and no marks were awarded.

QUESTION FIVE

The general performance on this question was good. Only 63 of the 107 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 58.9% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

Part (a) of the question required candidates to explain potential going concern indicators specifically using the information in the scenario. A majority of the candidates ably used the information and explained going concern indicators.

There were a few candidates who had challenges in explaining the going concern issues and the following observations were made: There were candidates who explained general indicators and not included in the scenario.

Part (b) of the question required candidates to describe the audit procedures necessary to assess whether or not Malaiti Power Ltd is a going concern. To answer this question satisfactorily candidates needed to have a good understanding of ISA 570 *Going concern* which gives guidance in this area. A majority of candidates did not score marks showing lack of understanding of the provisions of the standard. Most of the answers were not answering the question requirement.

The following observations were made:

(1) Candidates listed methods of obtaining audit evidence (inquiry, recalculation, inspection, observation, analytical procedures) or suggested basic actions such as 'obtain bank statement' without formulating complete substantive procedures.
(2) Candidates failed to describe standard going concern procedures, such as evaluating management's cash flow forecast, inspecting bank loan covenant waiver correspondence, reviewing post year end board minutes.

Part (c) of the question required candidates to explain advantages and disadvantages of using CAATs in an audit such as that of Malaiti Power Ltd.

The following observations were made:

(1) A number of candidates explained only advantages and yet the question required 2 disadvantages of the use of Computer Assisted Audit Techniques in an audit.
(2) Candidates struggled to explain practical limitations of CAATs often providing irrelevant arguments.

Part (d) of the question required candidates to explain circumstances that may necessitate a revision of the engagement letter. This is a knowledge based question which the candidates should have had no problems answering. There was a significant number of candidates that showed lack of this knowledge for the topic on the engagement letter.

Part (e) of the question required candidates to explain the importance of regulating auditors by the Zambia Institute of Chartered Accountants the regulator.

The following observations were made: Candidates provided brief, general statements about ZICA without linking regulatory oversight to public interest protection, maintaining audit quality standards, enforcing ethical codes and practising certificate issuance/disciplinary oversight.

Overall performance of candidates

Highest mark obtained in this paper: **73%**
Lowest mark obtained in this paper: **15%**
Overall pass rate in this paper: **62.3%**

SUBJECT CA 2.4 - TAXATION

QUESTION ONE

The general performance on this question was good. Only 111 out of the 175 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 63.4%. The lowest score was 1, whilst the highest was 38 out of the available 40 marks.

This question was divided in four (4) parts.

Part (a) examined computation of capital allowances.

The following were the most common mistakes:

(1) Failure to perform the 10% test to determine what part of the building was to be classified as an industrial building and the part to be classified as a commercial building.
(2) Failure to compute the initial, investment and wear and tear allowances.
(3) Using the wrong rates to compute the wear and tear allowances available.

(4) Classifying staff canteen as a commercial building instead of an industrial building.

(5) Using the wrong rates to compute capital allowances on implements, plant and machinery.

Part (b), covered computation of tax adjusted business profits for a partnership.

The following were the most common mistakes:

(1) Failure to identify disallowable expenses to be added back to net profit in computing the taxable profit.
(2) Failure to compute the disallowable amount on gifts to customers.

Part (c) covered allocation of taxable profits to individual partners.

The following weaknesses were observed from candidates:

(1) Failure to correctly apportion salaries for partners between the period before the change in the partnership agreement and the period after the change.

(2) Failure to apportion the balance of profits correctly between the period before the change in the partnership agreement and the period after the change.

Part (d) covered taxation of income tax payable by partners.

The following were the most common mistakes:
(1) Failure to apply the personal tax bands correctly in order to compute the Correct amount of income tax payable by each partner.
(2) Using the company income tax rate to compute the amount of income tax payable by each partner.

QUESTION TWO

The general performance on this question was very poor. Only 24 of the 142 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 16.9% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.5.

This question had two (2) parts; (a) and (b):

Part (a) covered ethical issues in the provision of taxation services.

The following were the most common mistakes:

(1) Some candidates failed to provide correct explanations of the fundamental principles of the code of ethics
(2) candidates confused themselves by swapping explanations between integrity and objectivity and between professional competence and professional behaviour.

Part (b), examined taxation of employment income

The following were the weaknesses observed from candidates:

(1) Failure to compute the correct salary before and after the increment.
(2) Failure to compute correct cash amount of transport and housing allowances due to wrongly computed salary on which the allowances were based.
(3) Failure to compute the correct amount of commuted leave pay for lack of knowledge.
(4) Using the wrong rates to compute the income tax payable

QUESTION THREE

The general performance on this question was very poor. Only 24 of the 142 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 16.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.5.

The question was divided into two parts: (a) and (b).

Part (a) (i) covered the difference between direct and indirect taxes.

The following were weaknesses observed from candidates:

(1) failure to explain the difference between direct and indirect taxes due to lack of knowledge of the differences
(2) Failure to give correct examples for direct and indirect taxes.

In part (ii), candidates were required to explain the consequences of submitting a self-assessment income tax return late.

The following weaknesses were observed from candidates:

(1) Failure to explain the penalty chargeable for the late submission of the income tax return for an individual which should have been 1,000 penalty units (K400) for an individual.
(2) Failure to explain the penalty chargeable for the late submission of income tax return for a company which should have been 2,000 penalty units (K800).

Part (b) examined Value Added Tax.

The following were the most common mistakes:

(1) Failure to compute the correct output tax due to wrong computation of standard rated sales.
(2) Failure to compute input tax on purchases.
(3) Failure to compute the correct input tax on diesel.
(4) failure to compute the correct proportion of the recoverable non attributable input tax.

QUESTION FOUR

The general performance on this question was good. Only 64 of the 109 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 58.7% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

This question had four (4) parts. Part (a) covered presumptive taxes for transporters.

The following were the most common mistakes:

(1) Using the wrong rates even though they were provided in the table of rates.

(2) Failure to compute the presumptive tax payable due to lack of knowledge on presumptive tax.

Part (b), covered the transaction value under customs and excise duty.

The following were the most common mistakes:

(1) Lack of knowledge on the conditions which should be met in order to use the transaction value method.
(2) Misunderstanding the question and explaining the methods used in computing the Value for Duty Purposes, contrary to the requirements of the question.

Part (c) covered the computation of import taxes.

The following were the most common mistakes:

(1) Failure to compute the Value for customs duty purposes because of wrongly computed CIF as some candidates included costs incurred within Zambia.
(2) Use of the wrong rates in determining the import taxes arising.

Part (d) examined Property Transfer Tax (PTT).

The following were the most common mistakes:

(1) Using the wrong rate to compute PTT arising on chargeable disposals.
(2) Failure to determine the correct realisable value on chargeable disposals.

QUESTION FIVE

The general performance on this question was poor. Only 26 of the 103 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 25.2% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a) covered computation of provisional income tax.

The following were the most common mistakes:

(1) Using the actual taxable profit instead the estimated taxable profit to compute the provisional income tax.
(2) Using the wrong rates to compute the provisional income tax on the farming and the non-farming income.

In part (b), covered computation of final taxable farming profits and loss relief.

The following were the most common weaknesses:

(1) Using the wrong rates to compute capital allowances on farm dwellings.
(2) Not restricting expenditure qualifying for capital allowances on the farm dwelling to K100,000.
(3) Not restricting profits available for loss relief to 50% of taxable profits when computing the final taxable farming profits

Part (c), covered the computation income tax payable on farming and non-farming income.

The following were the weaknesses observed from candidates:

(1) Using the wrong rates to compute the final income tax payable on the farming and the non-farming income

(2) Failure to gross up royalties before subjecting it to income.

Overall performance of candidates

Highest mark obtained in this paper: **85%**
Lowest mark obtained in this paper: **8%**
Overall pass rate in this paper: **56%**

SUBJECT CA 2.5 - FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was very poor. 30 out of the 215 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 14%. The lowest score was 0, whilst the highest was 28 out of the available 40 marks.

Part (a) and (b): Cost of Capital and NPV Calculation
Most candidates showed a sound understanding of relevant cash flow computation. They correctly identified and included the relevant inflows and outflows and set them out in a clear, logical format. However, most candidates did not understand how probabilities are used to calculate expected cash flows. Many ignored the probabilities altogether. Others applied them incorrectly, for example by using only the most likely outcome or by applying the probabilities to the NPV figures in the wrong way. As a result, the expected cash flows used in the NPV computation were wrong, and these candidates lost a significant share of the available marks.
Most candidates struggled to calculate the after-tax cost of debt using the internal rate of return (IRR) method. This method involves finding a rate that gives a positive NPV and a rate that gives a negative NPV, then using interpolation to estimate the rate at which the NPV is zero. Common weaknesses included:

(1) not adjusting interest payments for tax;
(2) using the wrong cash flows, such as the nominal value instead of the market value;
(3) choosing two rates that both gave NPVs of the same sign;
(4) making errors in the interpolation formula

A number of candidates did not attempt this part of the question.

Part (c) Sensitivity Analysis
Sensitivity analysis was not clearly understood as evidenced from their poor calculation. Some candidates failed to point out the importance of sensitivity analysis.

Part (d) Limitations of the NPV Method
Most candidates were able to identify limitations of the NPV method. However, their explanations were generally generic and not specific to the scenario in the question. Many candidates repeated textbook points, such as the difficulty of estimating the cost of capital or the uncertainty of cash flows, without relating them to the project or organization described. These answers earned marks for identifying the limitations but not for explaining them.

QUESTION TWO

The general performance on this question was poor. Only 76 of the 181 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 42% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

In part (a), it was noted with dismay that many candidates did not know the basic formula of EOQ. This resulted in them failing to calculate EOQ. Candidates should endeavour to know or understand such formulae. Further, candidates struggled to calculate the total annual cost of holding inventory.

In part (b) candidates showed knowledge of JIT.
However, in part (c) most candidates failed to point out the different working capital funding strategies.

QUESTION THREE

The general performance on this question was poor. Only 33 of the 120 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 27.5% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

The following mistakes noted in part (a):

(1) One of the most common mistakes noted was candidates' inability to use the 23.81% net profit margin on K210 million so as to derive the Net Income. The derived Net Income was to be multiplied with P/E Ratio given in order to come up with the Valuation amount using the Income-Based Valuation Method. These candidates also failed to identify and explain the assumptions based on this method.
(2) Some candidates failed to apply the liabilities % of 41.67% on the Assets given as K600 million in the question. The failure of using a different percentage or of not using it at meant a wrong liabilities amount calculated not at all.

The following mistake noted in part (b):

Candidates' common mistakes for those who attempted this part of the question, did not explain clearly the assumptions for each valuation method used in part(a).

The following mistake noted in part (c):

Some candidates failed to clearly explain the reason as to why Zed Copper Ltd would decide to undertake business valuation. For those that did, most reasons given were not the reasons to justify a valuation process.

QUESTION FOUR

The general performance on this question was very good. Only 105 of the 135 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 77.8% was recorded. The highest score was 20 out of 20 marks while the lowest was 2.

Most candidates were able to calculate the ratios. However, the challenge to many of them was the interpretation. Poor interpretation usually results in candidates losing marks as that part is just as equally important as the calculation part. The figures themselves may be meaningless if we are not able to explain them.

Some candidates did not explain properly what the forecast and the effect of both gross and net margins. Others failed to explain how short- term solvency arises. Similarly, no proper explanation was made when ROCE increases. This also explains whether some candidates even understand what ROCE is and its effect on the business. Not many candidates commented on the rising inventory levels and the consequences on the cash-flow of the business.

QUESTION FIVE

The general performance on this question was poor. Only 64 of the 156 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 41% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

The following mistake noted in part (a):

(1) The common mistakes made by candidates that attempted this part of the question was the failure to distinguish between hard and soft capital rationing, and also give the reasons for capital rationing.
(2) This question was not fully answered by some candidates. However, those that answered it, failed to state the key signs of overloading. Some were defining the working capital ratio and explaining the meaning of liquidity instead.

The following mistake noted in part (b):

Lack of using the Baumol cash-management model was the main mistake by candidates that attempted this part of the question. The candidates should have used the annual cash disbursement, fixed transaction cost per conversion and the annual opportunity cost, which were given in order to calculate the optimal cash transfer, number of cash transfer and the Total Cost. Surprisingly, some of the candidates used a 20% as the annual opportunity cost, which percentage was incorrect.

Overall performance of candidates

Highest mark obtained in this paper: **70%**
Lowest mark obtained in this paper: **7%**
Overall pass rate in this paper: **25%**

SUBJECT: CA2.6 STRATEGIC BUSINESS ANALYSIS

QUESTION ONE

The general performance on this question was excellent. 133 out of the 151 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 88.1%. The lowest score was 8, whilst the highest was 36 out of the available 40 marks.

This question had four (4) parts; part (a) Many candidates wrote Porter's generic competitive strategies instead of evaluating key defining aspects of strategy and identifying pillars from the case upon which Choppies Enterprises is building its corporate strategy. The performance on part (a) was not good.
Part (b) This part of the question was well answered by most candidates. They were able to analyse the five (5) main risks Choppies faced which are; foreign exchange fluctuation, Sub-Saharan African power crisis, cashflow and liquidity risks, dependence on key executives and information technology (IT) and food safety risks.
Part (c) Majority of the candidates explained the responsibilities of the board of directors rather than naming the specific committees of the board and evaluating their responsibilities. The board committees and their responsibilities are:

(1) Audit Committee: responsible for liaising with external audit and supervising internal audit.
(2) Nomination Committee: responsible for recommending the appointments of new directors to the board.
(3) Remuneration committee: responsible for advising on executive director remuneration policy and the specific package for each director.
(4) Risk committee: responsible for overseeing the organisation's risk response and management strategies.

Part (d) These are the possible exit barriers a business like Choppies is likely to encounter in pursuit of a withdrawal strategy:

(1) Cost barriers that may include redundancy costs and the difficulty of selling assets.
(2) Managers might fail to grasp the idea of decision relevant costs (i.e. we have spent all this money, so we must go on).
(3) Political barriers that may include government attitudes for example defence.
(4) Marketing considerations may delay withdrawal. A company may be dealing in a product classified as a loss leader for others, or might contribute to the company's reputation for its breadth of coverage.
(5) Psychological factors where managers hate to admit failure, and there might be a desire to avoid embarrassment.

QUESTION TWO

The general performance on this question was good. Only 105

of the 149 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 70.5% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question was divided into two (2) parts;

Part (a) This part was well answered by many candidates except there were cases where candidates were listing instead of proposing the four (4) benefits that would accrue to the company that adopts a strategic ethics approach in navigating its environment.

Part (b) Many candidates got this part of the question right. They discussed the correct ethical threats to accountants which are; Self-interest, Self-review, Advocacy, Familiarity and Intimidation.

QUESTION THREE

The general performance on this question was fair. Only 76 of the 148 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 51.4% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

This question had four (4) parts; part (a), (b), (c) and part (d).

Part (a) Candidates gave general control measures as opposed to the managerial function of control. The correct steps of the control process are: Establishing performance standards, measuring actual performance against set standard, Feedback of results and finally taking corrective action where deviations are observed.

Part (b) The business model Airtel Zambia adopted for its customer support and marketing department is the Virtual organisation where work is done remotely out of a network of alliances. Some candidates failed to identify a virtual organisation and describe how it works.

Part (c) This part was not well answered because in part (a) some candidates failed to describe the correct business model and this was a follow up question. Two advantages of virtual organisation are; Flexibility and speed of operation and low investment in assets and hence less risk involved. However, one disadvantage is that quality may be a problem owing to loss of control.

Part (d) Majority of the candidates gave the correct meaning of skepticism concept in governance.

QUESTION FOUR

The general performance on this question was fair. 1 of the 2 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 50% was recorded. The highest score was 20 out of 20 marks while the lowest was 6.

This question had two (2) parts; part (a) and (b).

Part (a) Some of the mistakes candidates could not follow were:

(1) Step 1: Calculate average pre tax earnings over a time period.
(2) Step 2: Calculate average year end intangible assets over the time period.
(3) Step 3: Divide earnings by average assets to get the return on assets.
(4) Step 4: Find the industry's return on assets.
(5) Step 5: Multiply the industry's return on assets percentage by the entity's average tangible assets.
(6) Step 6: Calculate the average tax rate over the time period and multiply this by the excess return. Subtract this from the excess return to give the after tax premium attributable to intangible assets.
(7) Step 7: Calculate the NPV of the premium by dividing it by the entity's cost of capital.

Part (b) The two problems with the CIV approach which candidates were expected to discuss are;

(1) The use of average industry ROA as a basis for computing excess returns may be distorted by extreme values.
(2) The choice of discount rate to apply to the excess returns to value the intangible asset needs to be made with care.

QUESTION FIVE

The general performance on this question was good. Only 92 of the 145 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 63.4% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

This question was divided into four (4) parts; part (a), (b), (c) and part (d).

Part (a) This is how management at NutriGrain's Food Ltd would use economies of scale to increase production volumes. The increased production volumes will eventually lower the average cost per unit enabling the company to spread the costs and ultimately lowering the selling prices of the products.

Part (b) The impact of managing supply costs on the firm's ability to maintain competitive pricing will be achieved by forming long-term supply partnerships with farmer cooperatives. This strategy will help NutriGrain's Food Ltd to have control of the supply side of inputs thereby ensuring

continuous production and getting inputs at a lower cost as a result of long-term supply partnerships with farmer cooperatives.

Part (c) By automating key production processes, the design processes and packaging stages, NutriGrain's Food Ltd will achieve operational cost efficiency by reducing on the time it takes to produce finished products also by cutting down on labour costs as few employees will be required in the production department. Automation also results in effectiveness in the sense that the quality of the products is consistent throughout the production process.

Part (d) By investing in structured workforce development programmes (Training and development programmes), the workforce will acquire requisite skills and capabilities that enhance long-term cost efficiency. Other benefits of structured workforce development programmes will include; improving the quality of workforce, enhance employee growth and employees are kept up to date to prevent obsolescence.

Overall performance of candidates

Highest mark obtained in this paper: **81%**
Lowest mark obtained in this paper: **12%**
Overall pass rate in this paper: **80.1%**

SUBJECT: CA 3.1 – ADVANCED FINANCIAL REPORTING

QUESTION ONE

The general performance on this question was good. 144 out of the 246 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 58.5%. The lowest score was 1, whilst the highest was 39 out of the available 40 marks.

The question required candidates to prepare the group statement of financial position for the parent company (Savanah), its subsidiaries (Havanah), and (Havilah). The question tested technical areas such as step acquisition, impairment review in respect of goodwill, deferred tax arising on fair value adjustments, IFRS 9 – Financial Instruments, IFRS 11 – Joint Operations and IFRS 2 – Share – Based Payment Transactions.

Overall, the question provided a comprehensive assessment of candidates' ability to integrate several areas of advanced financial reporting rather than treating each accounting issue in isolation.

The following are the common mistakes made by the candidates:

(1) Incorrect measurement and presentation of Share Appreciation Rights - A significant number of candidates incorrectly measured the Share Appreciation Rights and/or classified the resulting balance as equity. Candidates should have recognised that the SARs were required to be measured at fair value at the reporting date, which in this question was K120, with the resulting obligation recognised as a liability rather than equity.

This error suggests that some candidates have not sufficiently distinguished between equity-settled and cash-settled share-based payment arrangements. Candidates are encouraged to pay particular attention to the terms and conditions of share-based payment arrangements before determining the appropriate accounting treatment.

At an advisory level, candidates should develop the habit of first identifying the nature of the settlement obligation, followed by consideration of the relevant measurement basis and subsequent remeasurement requirements. This is particularly important for cash-settled arrangements, where fair value is generally remeasured at each reporting date until settlement.

(2) Inadequate treatment of fair value adjustments and deferred tax - Many candidates demonstrated an inadequate understanding of the accounting consequences of fair value adjustments recognised at the acquisition date. A considerable number of candidates either

failed to recognise the relevant fair value adjustments or did not consider the corresponding deferred tax implications arising from taxable temporary differences.
Candidates should appreciate that fair value adjustments made on acquisition can create differences between the fair value and tax base of identifiable assets and liabilities. Where such differences give rise to taxable or deductible temporary differences, the corresponding deferred tax asset or liability must be considered in determining the identifiable net assets acquired and, consequently, the amount of goodwill recognised. This area requires candidates to move beyond mechanical consolidation procedures and demonstrate an understanding of the interaction between business combinations, fair value measurement and IAS 12 requirements.

(3) Failure to provide adequate supporting workings - A recurring weakness was the failure by some candidates to provide clear, logical and sufficiently detailed workings. Some candidates presented consolidated figures for property, plant and equipment and other statements of financial position items without demonstrating how the amounts had been derived. As a result, where the final figures were incorrect, it was difficult to establish the candidate's underlying approach, and marks were consequently lost.

Candidates are reminded that, particularly in advanced financial reporting examinations, workings form an integral part of the answer. They should clearly demonstrate the computation of: consideration transferred; fair value of identifiable net assets acquired; NCI; goodwill; impairment losses; post-acquisition reserves; fair value adjustments; deferred tax consequences; and the resulting consolidated balances.

Candidates should therefore avoid presenting unexplained consolidated figures. A well-structured working provides evidence of the candidate's technical reasoning and enables appropriate credit to be awarded for correct elements even where an arithmetic or subsequent error occurs.

(4) Inclusion of the subsidiary's share capital in the consolidated statement of financial position. A few candidates incorrectly included the subsidiary's share capital in the Consolidated Statement of Financial Position. Candidates should be clear that, on consolidation, the subsidiary's share capital and other pre-acquisition equity balances are eliminated against the parent's investment in the subsidiary. Consequently, the consolidated statement of financial position presents the share capital of the parent company only, together with the appropriate components of consolidated equity and NCI. This remains a fundamental principle of consolidation and should be well understood by candidates undertaking advanced financial reporting.

Candidates are encouraged to conceptualise consolidation as the presentation of the group as a single economic entity, rather than simply adding together the individual financial statements of the entities within the group.

(5) Failure to perform the required impairment review of Havilah's CGUs. Several candidates failed to perform an appropriate impairment review of Havilah's Cash-Generating Units (CGUs) as at 30 June 2025. This omission indicates insufficient attention to the requirement to consider impairment where there are relevant indicators or where goodwill allocated to CGUs requires testing in accordance with the applicable IFRS requirements.

Candidates should recognise that goodwill arising from a business combination is not assessed independently in isolation but is allocated to the relevant CGUs or groups of CGUs expected to benefit from the synergies of the combination. The recoverable amount of the relevant CGU must then be compared with its carrying amount to determine whether an impairment loss has arisen.

The implication of any impairment loss for goodwill and other assets within the relevant CGU should also be carefully considered.

Candidates should therefore ensure that, in group accounting questions, they systematically review whether goodwill impairment and other asset impairment requirements have been triggered before finalising the consolidated statement of financial position.

(6) Lack of understanding of pre-acquisition equity and the principles of consolidation. Although consolidation is a fundamental area of advanced financial reporting, some candidates continued to demonstrate weaknesses in their understanding of the treatment of pre-acquisition equity. Some candidates recognised the subsidiary's pre-acquisition share capital and reserves in the consolidated statement of financial position after the acquisition-date net assets had already been incorporated into the consolidation process.

Candidates should understand that, at acquisition, the parent's investment is effectively matched against the identifiable net assets acquired, including the relevant pre-acquisition equity balances. The resulting difference, after considering the appropriate NCI measurement, forms part of the goodwill calculation or bargain purchase assessment.

Accordingly, once the acquisition-date assets and liabilities have been recognised and the pre-acquisition equity has been appropriately absorbed into the consolidation and goodwill calculation, the subsidiary's pre-acquisition share capital and pre-acquisition reserves should not be recognised again as components of consolidated equity.

This recurring error suggests that some candidates approach consolidation as a process of aggregating balances rather than understanding the underlying single-entity concept. Greater emphasis should therefore be placed on understanding why consolidation adjustments are made, rather than memorising individual procedures.

(7) Incorrect treatment of fair value adjustments in the goodwill calculation. Some candidates incorrectly treated fair value adjustment (fair value uplift) in determining goodwill. This resulted in an incorrect calculation of the acquisition-date identifiable net assets and consequently an incorrect amount of goodwill.

Candidates should recognise that fair value adjustments to identifiable assets and liabilities at the acquisition date form part of the fair value of the identifiable net assets acquired. The relevant deferred tax consequences should also be incorporated where applicable.

The goodwill calculation should therefore be approached systematically by determining: the consideration transferred; the fair value of NCI, where applicable; the fair value of any previously held interest, where relevant; the fair value of identifiable net assets acquired, including acquisition-date fair value adjustments and related deferred tax; and the resulting goodwill or bargain purchase gain.

Overall, the question successfully tested candidates' ability to apply advanced financial reporting principles in a complex group environment. The recurring errors, however, demonstrate the need for candidates to move from a predominantly procedural approach to consolidation towards a more analytical and conceptually grounded approach. Stronger understanding of the underlying principles, supported by disciplined and transparent workings, would significantly improve candidates' performance in future examinations.

Candidates should also improve the quality and sequencing of their workings. A recommended approach is to establish the group structure first, determine the acquisition dates and ownership interests, calculate the acquisition-date net assets and goodwill, determine post-acquisition movements, process consolidation adjustments and impairment considerations, and only then prepare the final Consolidated Statement of Financial Position.

QUESTION TWO

The general performance on this question was poor. Only 72 of the 226 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 31.9% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

The question was made up of three (3) parts. Part (a) tested candidates on the ethical and professional issues arising from the Finance Director’s proposal on the accounting treatment of a sale and leaseback transaction, part (b) tested candidates on the accounting treatment of a sale and leaseback transaction in accordance with IFRS 16 – Leases, and part (c) tested candidates on the accounting treatment of the equipment that was partially damaged due to an accident (in accordance with IAS 36 – Impairment of Assets & IAS 16 – Property, Plant & Equipment).

The following are the common mistakes made by the candidates:

(1) Failure to explain the ethical and professional issues arising from the director's proposal. Some candidates described fundamental and enhancing qualitative characteristics of financial information.
(2) Candidates simply stated the ethical and professional principles broadly instead of specifically explaining what each principle was and applying it to the scenario to highlight consequences of carrying out the director's proposal.
(3) Several candidates unnecessarily described the five-step revenue recognition model despite the question focusing on a sale and leaseback transaction. This reflected a failure to identify the key issues being examined and resulted in poor time management.

Generally, candidates demonstrated lack of knowledge on the International Financial Reporting Standards (IFRSs) examined in question. Candidates of future exam sittings are reminded to fully understand the IFRSs if they are to pass the CA 3.1 exams. Ethics is a key component of the syllabus and should be adequately covered.

QUESTION THREE

The general performance on this question was very poor. Only 23 of the 137 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 16.8% was recorded. The highest score was 14 out of 20 marks while the lowest was 0.

The question was made up of two (2) parts. Part (a) (i) tested candidates on IFRS 8 – Operating Segments in which candidates were required to discuss the principles of IFRS 8 for the determination of reportable segments, part (a) (ii) required candidates to advise the directors on the segments to be classified as reportable segments, and part (b) tested candidates on share based payment transactions in accordance with IFRS 2 – Share Based Payment Transactions.

The following are the common mistakes made by the candidates:

(1) Failure to define a reportable segment. Most candidates failed to discuss the principles in IFRS 8 for determining a reportable segment. They failed to bring out the 10% criteria for revenue, profit or loss, and total assets.
(2) Candidates failed to calculate the percentages of revenue, profit or loss, and total assets for each segment. Those who tried calculated the percentages separately for internal revenue and external revenue.
(3) Candidates clearly did not anticipate IFRS 8 being tested, leading to poor performance across the board.

(4) A significant number of candidates failed to correctly identify the transaction as an equity-settled share-based payment under IFRS 2 and instead treated it as a cash-settled arrangement by crediting liability, resulting in the loss of marks.
(5) Some candidates incorrectly extended the vesting period beyond the four (4) years specified in the question, demonstrating inadequate application of IFRS 2 requirements and overlooking clear information provided in the scenario.
(6) Several candidates failed to apply the expected employee retention rate of 85% when measuring the equity. Consequently, the initial share-based payment reserve and the related expenses were incorrectly calculated.
(7) Most candidates failed to support their calculations with appropriate explanations with reference to IFRS 2. Those who supported their calculations with brief explanations and appropriate workings generally scored higher than those who presented figures without sufficient narrative or supporting analysis.
(8) Candidates failed to explain the tax implications of the share-based payment transactions. Consequently, they failed to calculate the correct amounts of deferred tax and lost marks. Candidates failed to link IFRS 2 with IAS 12. Failure to use intrinsic value in the calculation of the amount to recognize as a deferred tax asset.

Generally, candidates demonstrated lack of knowledge on the International Financial Reporting Standards (IFRSs) examined in this question. Candidates of future exam sittings are reminded to fully understand the IFRSs if they are to pass the CA 3.1 exams. Cover the entire syllabus without skipping complex standards. IFRS 2 – Share based payment transactions are often examined but candidates still get it wrong.

Tutors should also emphasize perspective-based scenarios (equity-settled vs. cash-settled) for IFRS 2 share-based payment transactions and incorporate more practical case studies on specialized industries like agriculture among others.

QUESTION FOUR

The general performance on this question was very poor. Only 6 of the 116 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 5.2% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

This question was made up of two (2) parts. Part (a) tested candidates on the accounting treatment of a financial asset (Loan notes) in accordance with IFRS 9 – Financial Instruments, and part (b) required candidates to advise the directors on the accounting treatment of the Biological Assets and Agricultural Produce in accordance with IAS 2 – Inventories.

The following are the common mistakes made by the candidates:

(1) Candidates lacked basic conceptual clarity regarding holder vs. issuer perspectives in debt instruments under IFRS 9 – Financial Instruments.
(2) Candidates struggled with basic classification of financial assets under IFRS 9 and failed to grasp valuation mechanics for biological assets and agricultural produce under IAS 41. The answers provided by most candidates were substandard across both sections, reflecting widespread selective studying and significant difficulty applying technical standard rules.
(3) A major reason for poor performance was the failure to correctly identify the financial instrument. Candidates repeatedly misclassified a debt instrument held as a financial asset as a financial liability resulting in wrong answers.
(4) Due to improper initial classification, candidates failed to apply the appropriate measurement categories—such as Amortised Cost or Fair Value Through Other Comprehensive Income (FVOCI)—resulting in incorrect subsequent accounting treatment and flawed journal entries.

(5) Candidates clearly did not anticipate IAS 41 being tested, leading to poor performance across the board. Candidates struggled to apply the core IAS 41 measurement rule—Fair Value Less Costs to Sell (FVLCTS) — for biological assets (dairy cattle and sugarcane plantations), often defaulting incorrectly to historical cost principles under IAS 16.

(6) Candidates failed to explain the transition point where agricultural produce is harvested. Specifically, they did not articulate that produce harvested from biological assets is measured at FVLCTS at the point of harvest under IAS 41, which then becomes the deemed cost for subsequent inventory valuation under IAS 2 (Inventories).
(7) Candidates struggled to explain how financial reporting standards interface with one another (e.g., IAS 41 to IAS 2 at the point of harvest).

Generally, candidates demonstrated lack of knowledge on the International Financial Reporting Standards (IFRSs) examined in this question. Candidates of future exam sittings are reminded to fully understand the IFRSs if they are to pass the CA 3.1 exams. Cover the entire syllabus without skipping complex standards. Pay close attention to standard interactions, such as how biological assets move from IAS 41 into IAS 2 inventory upon harvest.

Tutors should also emphasize perspective-based scenarios (holder vs. issuer) for IFRS 9 debt instruments and incorporate more practical case studies on specialized industries like agriculture among others.

QUESTION FIVE

The general performance on this question was poor. Only 94 of the 217 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 43.3% was recorded. The highest score was 19 out of 20 marks while the lowest was 0.

This question was on comparative financial performance analysis.

The common mistakes made by the candidates were:

(1) Some candidates failed to use a professional report format as it had no heading, introduction, main findings under sub-headings, and a conclusion/recommendation.
(2) Some candidates did not separate workings, as an appendix, but included all the workings within the report, which made it very difficult for them to score good marks.

(3) Candidates exhibited a dependency on fully articulated financial statements rather than understanding working capital mechanics, capital structure accounting, and profit allocation.

(4) Failure to interpret the calculated ratios under each category and link together all the ratios calculated under that category.

(5) Candidates struggled to calculate market and investor-focused ratios (Dividend Yield, Price/Earnings Ratio) and derived metrics (ROCE, Operating Profit Margin) when missing explicit line items. Most candidates demonstrated lack of knowledge on ratios despite covering them in CA 2.1 syllabus. Wrong formulas were used to calculate the ratios, while others who used correct formulas used wrong amounts to calculate the ratios.

(6) Most candidates memorized ratio formulas without understanding the underlying accounting relationships linking the Statement of Profit or Loss to the Statement of Financial Position.

Candidates of future exams are reminded to adequately prepare for the exam and avoid selective studying. Financial analysis is a key topic in CA 3.1 and therefore often examined. Understanding this topic increases chances of passing the CA 3.1 exam. Candidates should work through complex scenarios involving partial extracts, working capital adjustments, and reverse ratio calculations as they prepare for the exam.

Overall performance of candidates

Highest mark obtained in this paper: **77%**
Lowest mark obtained in this paper: **0%**
Overall pass rate in this paper: **38.3%**

SUBJECT: 3.2-ADVANCED AUDIT AND ASSURANCE

QUESTION ONE

The general performance on this question was poor. 72 out of the 308 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 23.4%. The lowest score was 1, whilst the highest was 35 out of the available 40 marks.

The question was divided into 4 parts. Part (a) of the question required candidates to describe 4 ethical matters and to suggest suitable safeguards that should be applied. Most of the candidates scored maximum marks though there were some that scored less than half of the available marks. Further, the question required that the columnar format should be used in answering this question. A majority of candidates did not use the format that was recommended in the question. The method used by some candidates did not match the safeguards to the ethical dilemmas explained.

Part (b) of the question required candidates to explain matters that should be considered in assigning the audit team in the audit of the financial statements of Gonde Ranching & Cropping Co. This question required the use of the information in the scenario and the fact that the Finance Director previously worked for the firm before joining the company and that familiarity and intimidation threats arise. Many candidates in their answer made no reference to the fact that the former partner is now Finance Director and that there are familiarity and intimidation threats and hence great care should be taken in assembling an audit team.

Part (c) (i) of the question required candidates to explain the justification for the change in the terms of the engagement using the information in the scenario. Fidelity & Associates were appointed auditors of Gonde Ranching & Cropping recently, and the fact that this was the first assignment to the Audit Manager suggests that the appointment of the firm was earlier than the time the Audit Manager was engaged. Candidates needed to use this information in answering the question and further the same factors necessitate the change in the terms of the engagement even if the candidates did not use the information in the scenario.

Part (c) (ii) of the question required candidates to discuss the appointment of Fidelity & Associates using the information on how the appointment was made considering the ethical requirements on appointment. Candidates simply needed to comment on each of the matters referred to and suggest how they could be resolved. Many candidates explained the contents of an engagement letter which did not address the question requirement which needed an evaluation of how Fidelity & Associates were appointed and to discuss any lapses in following ethical guidance on appointment.

Part (d) (i) of the question required candidates to discuss three audit risks related to biological assets in the audit of the financial statements of Gonde Ranching & Cropping Co and for each risk to suggest a suitable response. The columnar format of answering this question was required although no marks were lost for not using this format. The columnar format saves time and it ensures that the two parts of the same question are related and makes it easier for the marking team to award marks.

Part (d) (ii) required candidates to discuss the suggestion by the Audit Committee of Gonde Ranching & Cropping Co to rely on the work of Agri Consulting in obtaining evidence regarding inventory valuation. Candidates needed to observe that Agri Consulting is a management expert and that the external auditors could or could not rely on a management expert and the option that the auditors may choose their own expert.

Part (d) (iii) of the question required candidates to describe 5 substantive procedures related to the inventory figure in the financial statements of Gonde Ranching & Cropping Co. Candidates had the choice to suggest audit procedures for any of the components making up the inventory value and marks were awarded for correct procedures for any combination of items. The performance in this part of the question was poor with a majority failing to suggest suitable procedures resulting in the loss of easy marks.
Substantive audit procedures are a major syllabus topic and are likely to be examined in future examinations. Candidates are required to fully understand the accounting for specific areas in the syllabus to be able to design audit procedures.

QUESTION TWO

The general performance on this question was good. Only 155 of the 266 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 58.3% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

Part (a) (i) of the question required candidates to discuss the implication regarding the intended legal action against the auditors in the scenario by a company that relied on the audited financial statements to make an acquisition decision.

Many candidates lost marks for simply stating the general guidance on auditor liability with no consideration of the specific information in the scenario.

Part (a) (ii) the question was about Lima Bank intending to take legal action against the auditors for professional negligence. Candidates should have in addition to explaining the three criterion, note that the bank is a third party and generally excluded from the decision in Caparo v Dickman. Auditors should be aware that normally lenders request annual audited financial statements to be submitted by borrowers and if auditors do not wish to be found liable should issue appropriate

disclaimer in the absence of which it will be assumed that the auditors owe a duty of care to the lenders. These are the matters that should have been discussed in answering this part of the question.

Part (b) (i) required candidates to evaluate the matters that should be considered prior to accepting appointment as auditors of Steel Hardware Ltd and Machipisa Textiles Ltd and to suggest suitable safeguards. The format of presentation of the answers using the columnar format was given for efficient use of examination time. There were many candidates who simply explained general matters that should be considered before accepting appointment without considering the specific matters in the scenario for Steel Hardware Ltd and Machipisa Textiles Ltd.

Part (b) (ii) of the question required candidates to suggest a suitable action when there is a limitation of scope in the audit. This matter related to the audit report and the form of opinion that will be issued under the circumstances. Candidates should have shown understanding that if there is a limitation of scope, it means that the auditors have not obtained sufficient appropriate evidence required to reach an appropriate opinion in which case a modified opinion is appropriate. Depending on the materiality and pervasiveness of the matter, a qualified or disclaimer of opinion will be appropriate.

Part (b) (iii) of the question required candidates to explain matters that will be considered in deciding whether or not to continue with an audit engagement. The auditing standard on quality control requires firms to annually evaluate whether to continue with an audit engagement and describes the matters that should be considered. Those that did not know the provisions of the quality control standard could not satisfactorily answer this part of the question.

QUESTION THREE

The general performance on this question was very poor. Only 53 of the 284 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 18.7% was recorded. The highest score was 17 out of 20 marks while the lowest was 0.

This question was on audit risk considering the elements of audit risk and a discussion of business and audit risks using the information in the scenario. Audit risk is an important part of the audit process and has been examined in this manner in previous examinations and is likely to feature in a similar manner in future examinations. Candidates need to understand that audit risk should be reduced to acceptable levels before accepting or continuing with an engagement.

Part (a) of the question required candidates to explain the three elements of audit risk namely inherent risk, control risk and detection risk and to explain how each of them could impact the audit plan. The two aspects of the question should have been considered and answer presentation

taken into account to make it easy for the examiners to award marks. The performance was below expectation for this topic, which is fully covered in the lower paper CA 2.3 Auditing Principles and Practice.

Part (b) of the question required candidates to describe 4 business risks in the audit of Lima Equipment. The question did not require the explanation of appropriate responses to the business risks and therefore should have been answered without difficulty using the information in the scenario. It should be mentioned here that this topic has been examined in a similar manner in the previous examination. The poor performance suggests lack of understanding of business risks and the distinction from audit risks.

Part (c) of the question required candidates to describe audit risks in the audit of the financial statements of Lima Equipment Ltd and to suggest appropriate responses using the columnar format. The suggested format presentation saves time and ensures that all aspects of the question are addressed.

Audit risk is an important part of the examination which has featured prominently in past examinations and is likely to be examined in this manner in future examinations.

QUESTION FOUR

The general performance on this question was very poor. Only 23 of the 173 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 13.3% was recorded. The highest score was 15 out of 20 marks while the lowest was 0.

Part (a)
Part (a) of this question was related to the appropriateness of the accounting for specific items by the client company and the possible impact on the opinion if the matters remained unresolved. To answer such a question satisfactorily, candidates are required to have an understanding of the accounting for specific areas in the syllabus.

Part (a) (i) This question was on the appropriateness of the accounting for assets held for sale by the company. It related to assets that were previously classified as held for sale and yet did not meet the criteria for classification as such. Candidates should have discussed how this matter should be dealt with in the year under audit and also suggest the impact on the opinion if the matter is not resolved. A significant number of candidates did not address the requirement of the question to explain the impact on the audit opinion if the matter remained unresolved and lost the marks allocated to doing so. Candidates are reminded to read and understand the question and ensure to address all the question requirements.

Part (a) (ii) of the question was in relation with the accounting for the revaluation loss arising on an asset that was previously evaluated and had a revaluation surplus at that time. Knowledge of the accounting for revaluation was necessary to answer this part of the question. It was pleasing that there was a sizeable number of candidates who explained clearly what should have been the correct accounting and explained the impact on the opinion if no corrections were made.

Part (b) (i) of the question required candidates to describe 4 audit procedures that will require to be performed to identify any material subsequent events requiring adjustments of the figures in the financial statements.

Candidates required to understand the provisions of IAS 10 *Events after the reporting period* and ISA 560 *Subsequent events* to satisfactorily answer this question. The guidance to this paper states that candidates will be expected to answer the questions in accordance with the provisions of the relevant auditing standards. A majority of the candidates scored poorly in this part suggesting lack of knowledge of the relevant accounting and auditing standards.

Part (b) (ii) of the question required candidates to describe the action that should be taken by the auditors if the financial statements are adjusted by management in the period between the signing of the audit report and before issue of the financial statements. The auditing standard describes the passive duty that the auditors have after signing the audit report and what they should do if any event comes up which would have caused them to issue a different opinion.

The performance in this part of the question was poor with many candidates not scoring any marks and contributing to the low average score for this question.

Part (b) (iii) of the question required candidates to discuss the action that should be taken by the audit team if the matter of having depreciated the assets held for sale remains unresolved. The matters that should have been discussed include the materiality of the matter at hand and the impact incorrect accounting will have on the financial statements. The only option for the auditors is the impact on the audit opinion and they may consider modifying the opinion.

QUESTION FIVE

The general performance on this question was very poor. Only 11 of the 138 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 8% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a) of the question required candidates to describe matters that require disclosure in the financial statements of Nile Ltd considering the fact that non-disclosure could result in the misstatement of financial statements.

Candidates needed to know the disclosure requirements of accounting standards and candidates were expected to use the information in the scenario to answer the question.

Part (b) of the question required candidates to discuss the recommended opinion and suggest an alternative opinion if necessary and knowledge of the impact of the existence of material misstatement on the opinion was required. There were many instances of inadequate justification of qualified/adverse opinion as candidates failed to justify whether the misstatement was material or pervasive and failed to explain that the auditor must issue a qualified or Adverse opinion due to missing mandatory disclosures.

In part (c) Candidates were required to draft extracts of the audit report using the opinion described in (b). The performance in this part was very poor with many candidates bringing in issues that were not in the scenario and were not relevant in answering the question. Candidates needed to bring to bear their knowledge of the impact of the modification of the opinion on the elements of a standard unmodified opinion. The answers to this question showed lack of knowledge on the topic of reporting.

Candidates are reminded that this is a popular topic and is likely to be examined in future in a similar manner.

The following observations were noted:

(1) There were instances of wrong wording of the opinion paragraph. For example a Qualified opinion is recommended but the wording is that of an adverse opinion.
(2) There were candidates who simply stated opinions without drafting text as candidates stated an opinion type in their commentary such as it should be a qualified opinion without drafting the actual report sections – Qualified Opinion or Adverse Opinion headings followed by Basis for Qualified/Adverse Opinion.

Overall performance of candidates

Highest mark obtained in this paper: **65%**
Lowest mark obtained in this paper: **8%**
Overall pass rate in this paper: **14.2%**

SUBJECT: CA3.4 ADVANCED TAXATION

QUESTION ONE

The general performance on this question was poor. Only 24 out of the 100 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 24%. The lowest score was 1, whilst the highest was 33 out of the available 40 marks.

Part (a) examined the tax treatment of unapproved share option schemes:
The common mistakes were as follows:

(1) Failure to compute the taxable income on the exercise of the share option scheme.
(2) Computing withholding tax on the gain arising on the exercise of the share options

Part (b) was on international aspects of taxation requiring computation of income tax by an individual.

The common mistakes were as follows:

(1) Failure to add the gain on exercise of the share option scheme to the taxable income of the individual.
(2) Failure to gross up the foreign dividends before inclusion in the taxable income.
(3) Failure to compute the total assessable income when computing DTR on the foreign dividends.
(4) Failure to compute the Zambian tax charge when computing the DTR on foreign dividends.

Part (c) was on reverse VAT and transfer pricing. The common mistakes were:

(1) Failure to provide supporting computations.
(2) Failure to compute the reverse VAT correctly.
(3) Failure to compute the allowable deduction for the importer based on the open market value and not the actual amount paid for the services.

Part (d) was on tax implications on the purchase of manufacturing equipment under a finance lease and purchase of second building using a bank loan.

The common mistakes were:

(1) Failure to compute the recoverable input VAT on the manufacturing equipment
(2) Treating finance lease rentals as allowable deductions for tax purposes.

(3) Failure to compute the allowable component of the interest element of the finance lease obligation.
(4) Failure to identify the disallowed component of the lease rental, being the capital repayment of the finance lease rental.
(5) Claiming initial and investment allowances on the secondhand building
(6) Failure to explain the tax treatment of the loan interest and loan processing fees.

Part (e) was on international aspects requiring computation of company income tax.

The common mistakes were as follows:

(1) Failure to compute the Zambian income tax on the foreign dividend and the foreign interest.
(2) Failure to compute the revised interest expense.
(3) Failure to deduct the allowable technical advisory services from the profit before tax.
(4) Failure to compute the tax EBITDA correctly.

QUESTION TWO

The general performance on this question was very poor. Only 11 of the 75 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 14.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 0.

The question was on tax planning covering the choice of remuneration packages and was divided into parts (a) and (b).

Part (a) was subdivided into parts (i) and (ii):

The most common mistakes in part (a) (i) were as follows:

(1) Failure to compute the additional tax arising on the transport allowances for each individual.
(2) Failure to compute the additional NAPSA contributions arising on the transport allowances
(3) Failure to explain that there will be no impact on the employees' NHIMA contributions

The most common mistake in part (a) (ii) was failure to explain the tax implications of the provision of personal-to-holder motor cars to each individual.

Part (b) was subdivided into parts (i) and (ii):

The most common mistakes in part (b) (i) were as follows:

(1) Failure to compute tax saving on the transport allowances provided to each individual.

(2) Failure to add the additional employer's NAPSA as allowable deductions and failure to compute the tax saved on the same.

The most common mistakes in part (b) (ii) were as follows:

(1) Failure to identify and compute additional tax on the personal to holder car benefits correctly.
(2) Failure to identify and compute tax savings on capital allowances claimable on each vehicle.

QUESTION THREE

The general performance on this question was good. Only 38 of the 64 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 59.4% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

The question was divided into two parts: (a) and (b).

Part (a) covered taxation of trusts. Candidates failed to explain clearly the three types of trusts and provided very vague responses.

Part (b) examined taxation of banks.

The common mistakes were as follows:

(1) Failure to disallow the share option expenses.
(2) Failure to disallow increase in general provision for loan losses.
(3) Failure to deduct the profit from disposal of shares.
(4) Failure to deduct dividends received from shares held in Zambian companies.

QUESTION FOUR

The general performance on this question was poor. Only 27 of the 76 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 35.5% was recorded. The highest score was 16 out of 20 marks while the lowest was 1.

Part (a) covered the tax treatment of foreign exchange differences.

The common mistakes were as follows:

(1) Failure to understand that unrealized exchange losses and gains are disallowed in the computation of taxable business profits.
(2) Failure to compute the exchange gain arising on the retranslation of the investment in shares.

Part (b) covered taxation of mining operations

The common mistakes were as follows:

(1) Use of an incorrect exchange rate when translating the dollar value of the mine excavation equipment for the purposes of computing capital allowances.
(2) Failure to compute the tax EBITDA.
(3) Failure to compute disallowed interest.
(4) Failure to index the loss brought forward.
(5) Failure to restrict the profits available for loss relief to 50% of the taxable mining profit.

QUESTION FIVE

The general performance on this question was poor. Only 34 of the 77 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 44.2% was recorded. The highest score was 17 out of 20 marks while the lowest was 1.

Part (a) covered tax audit procedures for uncovering hidden income and was answered well.

Part (b) covered tax audit procedures used to confirm true level of income for taxpayers with insufficient or incomplete financial records. Some candidates demonstrated a lack of knowledge of the procedures and failed to provide the appropriate answers.

In part (c) most candidates failed to provide logical steps which should be taken to deal with the discovery of errors in the client's previous years' tax returns

Part (d) covered ethical and professional issues arising in the provision of tax services.

The common mistakes were as follows:

(1) Failure to address the matter of lack of expertise in international taxation and transfer pricing adequately.
(2) Failure to identify the relevant ethical threats

Overall performance of candidates

Highest mark obtained in this paper: **70%**
Lowest mark obtained in this paper: **4%**
Overall pass rate in this paper: **28.7%**

SUBJECT: CA3.5 – ADVANCED MANAGEMENT ACCOUNTING.

QUESTION ONE

The general performance on this question was good. Only 12 out of the 23 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 52.2%. The lowest score was 7, whilst the highest was 29 out of the available 40 marks.

This question asked candidates to analyse the bank's restructuring from several different management-accounting and strategy angles.

In part (a) of the question, candidates were required to evaluate what the CEO's new philosophy (profit-first, digitalisation-led, Prestige Branches) meant for Staff, Shareholders, and Customers, and contrast it with LB Plc's old mission statement of personal, relationship-based service.

Candidates should have named the core contradiction, anchor every point in scenario detail, balance all three stakeholders with pros and cons, and explicitly address the mission-statement contrast, to score high marks in this part of the question.

Challenges faced by candidates:

(1) Many candidates made two strong points per stakeholder but struggled to find a third without repeating themselves, especially under time pressure — leading to thin, padded, and circular final points.
(2) Long, unstructured paragraphs made it hard for the marker to locate distinct points, and candidates genuinely lost marks not because the content was missing but because it wasn't clearly separated — using headings/bullets per stakeholder or issue is a low-effort, high-reward technique that is frequently under-used.

Part (b) required candidates to discuss the advantages and disadvantages of the proposal to make Prestige Branch Managers investment centre managers — i.e., judging and holding them accountable for both profit *and* the capital employed in their branch (via a 12% ROCE target), rather than just costs (as cost centre managers, which is what they were before).

Challenges faced by candidates:

(1) Writing generic investment-centre theory instead of applying it to the scenario. Without scenario-linkage, an answer can be theoretically correct but still score poorly, because it reads as something that could apply to *any* company, not LB Plc specifically.

(2) Failing to balance advantages and disadvantages evenly. This imbalance cost candidates marks because even when the content is well argued, there is need to balance the two sides instead of having one side of the explicit requirement under-addressed.

Part (c) required candidates to suggest and fully justify three qualitative (non-financial) performance indicators that would help a Prestige Branch Manager — i.e., measures beyond the purely financial ROCE target, reflecting things like customer relationships, staff, or operational quality that matter for running the branch well.

Challenges faced by candidates:

(1) Suggesting indicators without genuinely justifying them. Most candidates did not understand that requirement. Justify means each indicator needed a distinct reason tied to the scenario, not just a label. Most candidates did not justify why their suggested indicators mattered.
(2) Choosing indicators that are too generic or not controllable by the Prestige Manager. Most candidates provided generic text book material without any linkage to the scenario in the question.

Part (d) required candidates to evaluate three disadvantages of a brief/short mission statement.

Challenges faced by candidates:

(1) Running out of genuinely distinct points and drifting into repetition. Most candidates repeated the same points instead of providing distinctive ideas.
(2) Padding out low-mark questions with over-long answers (poor time calibration). Some candidates provided very long write ups for a three marks requirement question, in most cases without scenario reference.

Part (e) required candidates to discuss three Critical Success Factors (CSFs) and their relevant Key Performance Indicators (KPIs) that a commercial bank like LB Plc might adopt — i.e., identify a handful of areas that a bank *must* get right to succeed, and for each one, name a measurable KPI that would track performance in that area.

Challenges faced by candidates:

(1) Pairing a CSF with a weak, mismatched, or generic KPI. Some CSF did not match with the suggested KPI. Some KPI could not be linked to any part of the scenario in the question. Candidates lost marks as a result.
(2) Confusing CSFs with ordinary objectives or with the stakeholder/mission-statement points already made earlier in the question: Because this part of the question follows parts (a)–(d),

which already touched on profitability, customers, and operational concerns, candidates sometimes simply repackaged earlier points as "CSFs" in the exact way the points were presented in the earlier parts of the question. This created a mismatch with the requirement.

Part (f) required candidates to discuss how an integrated database management system (DBMS) would help Lb plc, if the databases were unified across the entire organisation.

Challenges faced by candidates:

(1) Giving generic DBMS textbook benefits instead of addressing LB plc's specific fragmentation.
(2) Confusing/overlapping Part (f) with Part (g) (databases vs. ERP)

Part (g) for 4 marks required candidates to discuss how the installation of an Enterprise Resource Planning (ERP) system would improve LB plc's performance.

Challenges faced by candidates:

(1) Failure to distinguish ERP from the database integration already covered in part (f).
(2) Treating ERP purely as a technical/IT answer rather than a performance-improvement answer.

QUESTION TWO

The general performance on this question was good. Only 15 of the 21 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 71.4% was recorded. The highest score was 14 out of 20 marks while the lowest was 5.

This question required candidates to:

(a) evaluate the current performance system of ZGSB and propose how a Balanced Scorecard (BSC) approach could be adopted by ZGSB.

(b) evaluate, using the BSC, suitable monitoring and control mechanisms for ZGSB's divisional performance, specifically addressing the differences between the two (2) divisions.

Common mistakes made by the candidates included:

Part (a):
(1) Poorer candidates failed to give the evaluation of the current system and instead went on to give the financial performance of the organisation.
(2) A number of them failed to discuss the proposed BSC adoption.

(3) Some candidates wrote extensively on one point at the expense of other sub-sections.

Part (b)
(1) Some candidates failed to apply the evaluation to the question scenario and gave a general evaluation.
(2) Presentation was generally very poor for some candidates.

QUESTION THREE

The general performance on this question was excellent. Only 21 of the 23 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 91.3% was recorded. The highest score was 17 out of 20 marks while the lowest was 2.

Candidates were required to:

(a) Explain business process re-engineering (BPR).
(b) Discuss how material handling process can be redesigned using BPR program
(c) Discuss four drawbacks of BPR
(d) Explain two reasons why the workers of scenario question might be worried about the BPR program
(e) Explain benchmarking and evaluate how it can improve business performance
(f) Explain Kaizen costing and evaluating how it works to improve performance in CBE Ltd.

Challenges/weakness faced by candidates:

(1) The common challenge was providing principles examples based on the scenario given and relating them to the requirement of management accounting program.
(2) Candidates who understood the management accounting principles generally scored well and ready for the industry.
(3) Some candidates did not know how to write a formal report structure and components of the report.
(4) Candidates lacked the application know-how needed at this level of management.
(5) Although a lot of candidates chose this question, their level of information expected was average to good and need to improve.

QUESTION FOUR

The general performance on this question was very poor. Only 1 of the 8 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 12.5% was recorded. The highest score was 11 out of 20 marks while the lowest was 1.

This question required candidates to:

(a) calculate the transfer prices based on the following transfer pricing method (i)Full cost plus;(ii) Market price.; iii) Variable cost;(iv) Negotiated price.

(b) recommend a single, optimal transfer pricing policy for the company and to justify the recommendation by explaining how it addresses the current conflicts, ensures divisional performance measurement accuracy, and promotes corporate profitability.
(c) advise the company management on the two (2) suitable integrated information technology systems that would enable the business to operate effective operational performance management systems.

Common errors were as follows:

(1) Full cost transfer price (TP): Failure to calculate the fixed cost per litre by dividing K1.5m by 1 million litres.
(2) Negotiated TP. Hardly any candidate offered a reasonable negotiate TP.
(3) Part(b): because of wrong calculations (where possible) in part (a), candidates could not give reasonable recommendations. They should have recommended the dual TP or negotiated TP.
(4) Part (c): Candidates had difficulty in identifying the appropriate integrated IT support systems. For those who did, the explanations were not convincing enough.

QUESTION FIVE

The general performance on this question was good. Only 10 of the 16 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 62.5% was recorded. The highest score was 11 out of 20 marks while the lowest was 1.

This question required candidates to:

(a) discuss the primary activities in the value chain and evaluate their strategic importance to company.

(b) (i)discuss the major factors that Ms N Moyo would need to review in order to get familiar with the status of the project.

(ii)discuss the possible threats to the timely completion of the project and how those threats could be minimized.

Common mistakes made by the candidates included:

Part (a)

(1) Poorer candidates did not know the components of the value chain. As a result, they discussed something else.
(2) Those who discussed the value chain did not bring out the strategic importance of the value chain component to the company.

Part (b) was not well attempted. Those who tried to bring out a one or two factors failed to link them to the risks and how those risks could be minimized. E.g. if the threat was poor time management, this could be minimized by regular progress reports.

Overall performance of candidates

Highest mark obtained in this paper: **70%**
Lowest mark obtained in this paper: **30%**
Overall pass rate in this paper: **69.6%**

SUBJECT: CA 3.6- ADVANCED FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was poor. Only 16 out of the 42 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 38.1%. The lowest score was 6, whilst the highest was 28 out of the available 40 marks.

The following observations were noted:

(1) Most candidates correctly identified the goal of financial management as the maximisation of shareholder wealth. However, most struggled to discuss this goal within the constraints given in the question. Instead of considering how the specific circumstances and limitations described in the scenario affected the pursuit of this goal, candidates wrote general textbook discussions. As a result, their answers were generic and did not address the requirements of the question.
(2) Candidates demonstrated an understanding of the process for calculating the modified internal rate of return (MIRR). However, most candidates struggled to calculate the cost of capital to be used in the NPV calculations. Because of this, many candidates used an incorrect discount rate, and this affected the accuracy of the rest of their answers.
(3) Most candidates demonstrated a weak understanding of the global trends examined in part (e) of the question. Answers were brief and showed limited knowledge of the topic.
(4) In addition, candidates were unable to clearly state the functions of money markets in relation to the case study. Many did not identify the functions correctly, and those who did failed to link them to the facts of the case study.

QUESTION TWO

The general performance on this question was good. 30 of the 42 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 71.4% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

The following observations were noted:

(1) Some candidates who attempted this question failed to state clearly the stakeholder interests as they relate to financial strategy formulation. Instead some answers did not center on financial strategy formulation but on economic strategies instead. There was therefore, a mismatch in terms of identifying the specific resolutions to stakeholder conflicts as was required to have been stated in the first section of the question.
(2) Many candidates were able to identify ethical issues and proposed resolutions. However, the answers were more generic rather than applicable to the scenario provided.

(3) Lack of explaining what is meant by sensitivity analysis in the response. As a result of this, the importance of sensitivity analysis was not appropriately explained.

QUESTION THREE

The general performance on this question was good. 23 of the 34 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 67.6% was recorded. The highest score was 16 out of 20 marks while the lowest was 3.

(a) A good number of candidates mentioned the three strategies required to achieve successful expansion into Asia and Europe. These strategies include:

(i) Financing Strategy
(ii) Market entry Strategy
(iii) Risk Management Strategy.

However, listing them was not enough. What was important was to explain in detail how these strategies will help or enable the expansion into Asia and Europe.

(b) Revenues, Cost and Financial Synergies through acquisition were generally well explained. Candidates must understand that acquisition of the target company in most cases will result in the higher revenues for the acquiring company, higher return on equity and a period of longer growth. While this part was well done, candidates did not demonstrate understanding of the quantification of financial and cost synergies.

QUESTION FOUR

The general performance on this question was good. 23 of the 34 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 67.4% was recorded. The highest score was 14 out of 20 marks while the lowest was 2.

The following observations were noted:

(1) Some candidates' answers only identified less than seven(7) financial risks as requested by the examiner with no stating of any possible mitigation. Most of the risks identified were not financial risk but business risks.
(2) Some candidates failed to explain the role of money markets. Further, the responses did not fully explain the various areas of short-term investments. Instead some candidates suggested in their responses that the investments were to be for fixed assets like purchase of buildings and other structures.

QUESTION FIVE

The general performance on this question was poor. 2 of the 8 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 25% was recorded. The highest score was 13 out of 20 marks while the lowest was 1.

Many candidates avoided this question because they do not seem to understand it.

The following observations were noted:

(1) The few candidates who answered the question did not calculate correctly the following:
   (i) Interest cost
   (ii) Future ''gamble' required.
   (ii) Net cost.

(2) The candidates did not understand the topic. Candidates should show interest and understand this topic. Having a negative attitude toward this topic is what makes them not to do well. Candidates should have a positive attitude as they learn this topic.

(3) Interest rate swaps was equally badly done by the few candidates that attempted this part of the question. Lecturers should ensure that in their explanations they simplify the topic as much as possible and give real life examples or situations to candidates. Give as much confidence as possible by simple explanations with some exercises and tests from time to time in order to test their understanding. Most importantly encourage the students or candidates to read extensively on the topic and ask questions where they are not clear or do not understand.

Overall performance of candidates

Highest mark obtained in this paper: **66%**
Lowest mark obtained in this paper: **17%**
Overall pass rate in this paper: **59.5%**

SUBJECT: 3.7 PUBLIC SECTOR AUDITING AND ASSURANCE

QUESTION ONE

The general performance on this question was good. 58 out of the 110 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 52.7%. The lowest score was 2, whilst the highest was 37 out of the available 40 marks.

Part (a) of the question required candidates to explain 4 public sector audits that can be conducted by the Supreme Audit Institution of Wakanda and to explain the objective of each of these audits. A minority of candidates scored poorly and the following observations were made:

(1) There were candidates that gave incomplete explanations and simply listed the types of public sector audits with no explanation as per question requirement.
(2) There were candidates who did not address the second part of the question on explaining the objective of each type of audit.

Part (b) of the question required candidates to explain 5 factors that should be considered in evaluating the performance of the SAI of Wakanda against the Mexico declaration. A majority of candidates scored well in this question but there were few that performed poorly and the following observations were made:

(1) There was failure on the part of candidates to apply scenario information with candidates mentioning broad generic factors.
(2) Candidates failed to explicitly link scenario facts to the core pillars of the Mexico declaration.

Part (c) (i) of the question required candidates to explain 4 fraud risk factors in the management of the short term loan of $750 million.

The following observations were made:

(1) Candidates stated broad, generic terms such as theft, collusion etc. rather than identifying actual fraud risk factors from the scenario.
(2) A few candidates discussed the fraud triangle which was not the question requirement.

Part (c) (ii) of the question required candidates to explain the audit risks that should be considered in planning the audit of short term loan. Answering this part of the question required the use of information in the scenario and general answers did not attract maximum marks.

The following observations were made:

(1) Candidates merely defining general categories of audit risks namely inherent risk, control risk and detection risk without identifying specific risks of material misstatement in the project financial statements.
(2) Candidates failed to link financial statement risks to specific loan covenants and accounting rules.

Part (d)(i) of the question was on compliance audits and required candidates to describe 4 criterions that should be used in the compliance audit and these are contained in the information in the scenario. Part (d)(ii) required candidates to describe one substantive procedure in the compliance for each of the four criterions suggested in part (i) of this question. The columnar format was required for efficient use of valuable examination time and good answer presentation.

The following observations were made:

(1) Candidates failed to present their answers in the required two column table in some cases with poor presentation which proved difficult for markers to relate the answers.
(2) There were candidates who simply explained the criterions and did not answer the second part requiring procedures that should be undertaken.

QUESTION TWO

The general performance on this question was very good. Only 85 of the 106 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 80.2% was recorded. The highest score was 18 out of 20 marks while the lowest was 2.

Part (a) of the question required candidates to explain the application of the SAI of Zamunda with the provisions of ISSAI 12: Value and benefits of SAIs. A careful examination of the information in the scenario shows that the three objectives of value and benefits were at the center of answering this question.

The following observations were made:

(1) Most of the candidates focused on discussing the provisions of ISSAI 12 with no reference to the information in the scenario.
(2) A few candidates described what a SAI is and its relationship with the INTOSAI.

Part (b) (i) of the question required candidates to describe the three parties to the planned compliance and most candidates scored maximum marks.

The following observations were made:

(1) There were candidates that explained the three value for money principles which was not the question requirement.
(2) There were candidates who explained the meaning of compliance audits which too did not address the question requirement.

Part (b) (ii) of the question required candidates to describe 4 ethical issues in the audit of the Constituency Development Funds and to suggest a suitable response to each ethical matter. The question recommended the use of the columnar format in answering this question which saves valuable examination time. A majority of the candidates scored more than half the available marks.

The following observations were made:

(1) There were some candidates that explained the ethical matters in the scenario but failed to state the correct threat to independence or gave an incorrect threat not consistent with the explanation.
(2) There were candidates who correctly explained the ethical threats but failed to provide suitable and correct safeguards.

QUESTION THREE

The general performance on this question was excellent. Only 53 of the 66 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 80.3% was recorded. The highest score was 19 out of 20 marks while the lowest was 1.

Part (a) of the question required candidates to explain the role of information technology audits to each of financial, performance and compliance audits.

The following observations were made:

(1) There were candidates who simply explained the three major public sector audits of financial, performance and compliance audits without explaining the roles of IT to each of these as per question requirement.
(2) There were candidates who explained the meaning of information technology software such as CAATs and how they speed up the audit of large information which did not address the question requirement.

Part (b) of the question required candidates to explain the meaning of audit software and test data and to illustrate how each of these can be used in the IT audit of Busaka City Council.

The following observations were made:

(1) There were candidates who failed to correctly explain audit software and test data.
(2) Many candidates did not address the second part of the question which required candidates to illustrate the use of audit software and test data and lost the marks allocated to doing so.

Part (c) of the question required candidates to describe 4 areas where professional judgement will be used in the audit of the financial statements of Busaka City Council. Use of information in the scenario was required and general answers not related to the scenario did not attract any marks.

The following observations were made:

(1) There were candidates that explained correctly the meaning of professional judgement but this did not address the question requirement and no marks were awarded.
(2) There were answers that were given showing lack of understanding of when professional judgement may be used in an audit.

QUESTION FOUR

The general performance on this question was very good. Only 71 of the 93 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 76.3% was recorded. The highest score was 20 out of 20 marks while the lowest was 0.

Part (a) (i) of the question required candidates to explain the meaning of sufficient and appropriate evidence in the conduct of the planned performance audit. It is important to note that these are two separate terms and needed to be explained separately.

The following observations were made:

(1) There were instances where candidates confused sufficiency and appropriateness, they erroneously claimed one is 'quantitative' and the other 'qualitative' in reverse.
(2) There were candidates who explained these two terms in one answer by stating for example that sufficient appropriate evidence means enough and good quality evidence without stating which is which and so only attracted half the available marks.

Part (a) (ii) of the question required candidates to describe the objectives of the planned performance audit of the title processing project considering the value for money principles of economy, efficiency and effectiveness.

The following observations were made:

(1) Many candidates defined and explained the three value for money principles of economy, efficiency and effectiveness with no reference to the objectives as per question requirement.
(2) Many candidates did not use the information in the scenario to describe the objectives of the planned performance audit.

Part (b) (i) of the question required candidates to explain three objectives of the forensic investigation to be conducted on the Agriculture Support Scheme.

The following observations were made:

(1) Many candidates defined forensic investigation without explaining the objectives of forensic investigations as per question requirements and no marks were awarded for doing so.
(2) Some candidates gave general answers and did not apply the information in the scenario in answering this question. Candidates are reminded that at this level they are expected to apply their knowledge to information in the scenario.

Part (b) (ii) of the question required candidates to explain the types of fraudulent activities using the information for the three provinces in the scenario.

The following observations were made:

(1) There were candidates that explained operational objectives rather than forensic investigation objectives.
(2) Some candidates provided vague, non-technical statements such as 'mobilizing of fraud' or 'studying the nature of fraud' without addressing legal/investigative outcomes.

QUESTION FIVE

The general performance on this question was poor. Only 12 of the 52 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 23.1% was recorded. The highest score was 18 out of 20 marks while the lowest was 0.

Part (a) (i) of the question required candidates to explain the purpose of the fundamental principles of financial auditing.

The following observations were made:

(1) Some candidates defined financial auditing rather than explaining the purpose of fundamental principles.
(2) Some candidates incorrectly suggested that the purpose of fundamental principles is to 'prevent any/all misappropriations'.

Part (a) (ii) of the question required candidates to explain 2 general principles of financial auditing in the public sector.

The following observations were made:

(1) Some of the candidates listed elements of an assurance engagement(subject matter, criteria etc.) rather than explaining core general principles in ISSAI 200.
(2) There were candidates that left this sub-question blank indicating a lack of preparation on ISSAI frameworks.

Part (b) of the question required candidates to evaluate the operations of the SAI against the general requirements for performance auditing according to ISSAI 3000.

The following observations were made:

(1) Candidates failed to evaluate key ISSAI 3000 requirements, such as establishing professional competence in performance auditing versus problem-oriented approaches and maintaining independence.
(2) Candidates wrote unrelated general commentary or discussed external staff qualifications/affiliations rather than evaluating ISSAI 3000 compliance.

Part (c) (i) of the question required candidates to explain the use of criteria in a performance audit and to suggest three suitable criterion for the performance audit of the voter registration exercise.

The following observations were made:

(1) Candidates explained the three approaches to performance auditing of problem, result oriented and systems oriented approaches.
(2) Some candidates stated economy, efficiency and effectiveness in abstract terms as the 'criteria' rather than extracting specific, measurable criteria from the scenario.

Part (c) (ii) of the question required candidates to apply value for money principles in planning a performance audit of the voter registration exercise.

The following observations were made:

(1) Some candidates discussed general operational losses without linking scenario number to the three 'e's.
(2) There are candidates who explained the three value for money principles without relating the explanation to the voter registration exercise.

Overall performance of candidates

Highest mark obtained in this paper: **84%**
Lowest mark obtained in this paper: **19%**
Overall pass rate in this paper: **69.1%**

SUBJECT: CA 3.8 - PUBLIC SECTOR FINANCIAL MANAGEMENT

QUESTION ONE

The general performance on this question was good. Only 6 out of the 12 candidates that attempted the question achieved a pass (that is a score of at least 20 out of 40 marks), representing a pass rate on the question of 50%. The lowest score was 10, whilst the highest was 28 out of the available 40 marks.

This question had four parts (i), (ii), (iii) and (iv) and candidates were required to:

(i) Calculate the probability that the project will generate a negative NPV and explain what this implies about the level of financial risk.

(ii) Discuss the relevance of the concept of internal rate of return and its role in decision-making in public sector capital project appraisal.

(iii) Explain four (4) external risks that can affect the financial performance of public sector capital
projects.

(iv) Explain operational risks and change risks that can affect the successful delivery and implementation of public sector capital projects and give brief examples of feasible mitigation measures that fit typical public-sector governance constraints.

Most candidates were able to draw the decision trees and calculate the expected values correctly. However, most candidates struggled to explain the concept of the internal rate of return (IRR) and its rationale. Explanations were often unclear or incomplete, and many candidates did not show an understanding of what the IRR represents or why it is used in investment appraisal.
Candidates were able to identify the project risks and also suggested appropriate mitigation measures for them.

QUESTION TWO

The general performance on this question was good. 6 out of the 9 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 66.7% was recorded. The highest score was 16 out of 20 marks while the lowest was 4.

This question had four parts; (a), (b), (c) and (d). Candidates were required to:

(a) Evaluate five (5) risks of using a PPP private-provision (concession) model for the construction and operation of municipal market in Nkwazi City.

(b) Explain six (6) principal features of the PPP private-provision (concession) model as they would apply to a municipal market building.

(c) Explain four (4) principal advantages of the private-provision PPP model for delivering essential market services in the Nkwazi City scenario.

The following were observations:

(1) Candidates seem to have a limited knowledge of risks of using PPP. Risks such as Affordability/revenue recovery, Vendor inclusion /exclusion risk, Displacement/livelihood risk and Procurement complexity risks were all not mentioned. However, candidates provided generic risks and not related to the scenario given. Candidates are therefore advised that guesswork does not in any way help. It shows lack of intensive and serious reading.
(2) The principal features as applied to a municipal market were badly answered.
(3) Principal benefits were well explained by most of those who attempted this part of the question.

QUESTION THREE

The general performance on this question was excellent. All the 11 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 100% was recorded. The highest score was 16 out of 20 marks while the lowest was 10.

This question had two parts; (a) and (b). Candidates were required to:

(a) Explain the six (6) key areas of public expenditure in Zambia.

(b) Recommend any four (4) policy priorities for public expenditure in Zambia.

The following was noted: In answering this section of the question, some answers did not cover convincingly the recommended policy priorities.

QUESTION FOUR

The general performance on this question was excellent. 10 out of the 11 candidates that attempted the question managed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 90.9% was recorded. The highest score was 19 out of 20 marks while the lowest was 7.

This section of the question had four parts; (a), (b), (c) and (d). Candidates were required to:

(a) Explain the key stages of the national budget cycle and the significance of each stage.

(b) With reference to the budget cycle, explain why effective sequencing and coordination across institutions are critical for fiscal discipline and service delivery.

(c) Explain five (5) best practice measures required to ensure efficient and effective budget execution monitoring and control.

(d) Discuss the significance of budget reliability.

The following were noted:

(1) The candidates' answers were supposed to systematically identify and state the key stages of the national budget cycle. However, some answers stated with last process, that of accounting, reporting and audit instead of budget preparation (planning and formulation). Some mixed the activities.
(2) Just as per part (1), some answers didn't explain the importance of sequencing and the coordination of the stages of the national budget.

QUESTION FIVE

The general performance on this question was very poor. All the 5 candidates that attempted the question failed to obtain at least 10 marks out of a total of 20 available marks. A pass rate of 0% was recorded. The highest score was 9 out of 20 marks while the lowest was 2.

This question had four parts; (a), (b), (c) and (d). Candidates were required to:

(a) Explain the four (4) pillars of the IMF Fiscal Transparency Code.

(b) Describe any two (2) levels of practice the Code uses to stage reforms.

(c) Discuss the differences between a program loan and a project loan.

(d) Explain any two (2) stages of the budget cycle in Zambia.

The following observations were noted:

(1) Those who answered did not state and explain the four pillars of the IMF transparency code.
(2) Candidates exhibited lack of knowledge of the levels applied to stage reforms.
(3) Differences between a project loan and a programme loan were not well explained.
(4) Candidates had challenges to explain any two stages of the budget cycle in Zambia.

Overall performance of candidates

Highest mark obtained in this paper: **66%**
Lowest mark obtained in this paper: **41%**
Overall pass rate in this paper: **75%**